

Financial Statements of

ParticipACTION

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Board Members of ParticipACTION

Opinion

We have audited the financial statements of ParticipACTION (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- 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, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, 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 Opinion

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 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 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.



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- 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 represents 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, Licensed Public Accountants

Vaughan, Canada

September 21, 2022

ParticipACTION

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 997,661	\$ 3,049,192
Accounts receivable and prepaid expenses	208,418	297,633
Short-term investments (note 2)	1,000,822	—
	<u>2,206,901</u>	<u>3,346,825</u>
Capital assets (note 3)	18,769	45,074
	<u>\$ 2,225,670</u>	<u>\$ 3,391,899</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 464,401	\$ 1,363,719
Deferred contributions (note 4)	132,448	406,000
	<u>596,849</u>	<u>1,769,719</u>
Net assets:		
General surplus	73,821	67,180
Strategic reserve fund (note 5)	1,555,000	1,555,000
	<u>1,628,821</u>	<u>1,622,180</u>
Commitments (note 8)		
Market risk (note 10)		
	<u>\$ 2,225,670</u>	<u>\$ 3,391,899</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ParticipACTION

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Revenue:		
Grants	\$ 7,637,250	\$ 9,240,300
Donations and sponsorships	574,555	76,983
Interest and miscellaneous (note 7)	46,092	284,440
	<u>8,257,897</u>	<u>9,601,723</u>
Expenses:		
Programs and services	4,190,923	5,732,148
Staffing (note 6)	2,900,795	2,810,700
Marketing and communications	736,138	632,448
Office and general	386,814	377,396
Board and committees	8,708	6,860
Amortization of capital assets	27,878	28,087
	<u>8,251,256</u>	<u>9,587,639</u>
Excess of revenue over expenses	<u>\$ 6,641</u>	<u>\$ 14,084</u>

See accompanying notes to financial statements.

ParticipACTION

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

			2022	2021
	General surplus	Strategic reserve fund (note 5)	Total	Total
Net assets, beginning of year	\$ 67,180	\$ 1,555,000	\$ 1,622,180	\$ 1,608,096
Excess of revenue over expenses	6,641	–	6,641	14,084
Net assets, end of year	\$ 73,821	\$ 1,555,000	\$ 1,628,821	\$ 1,622,180

See accompanying notes to financial statements.

ParticipACTION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 6,641	\$ 14,084
Amortization of capital assets which does not involve cash	27,878	28,087
Change in non-cash operating working capital:		
Accounts receivable and prepaid expenses	89,215	103,761
Accounts payable and accrued liabilities	(899,318)	510,710
Deferred contributions	(273,552)	7,043
	<u>(1,049,136)</u>	<u>663,685</u>
Investing activities:		
Purchase of investments	(1,000,822)	–
Purchase of capital assets	(1,573)	(16,003)
	<u>(1,002,395)</u>	<u>(16,003)</u>
Increase (decrease) in cash and cash equivalents	(2,051,531)	647,682
Cash and cash equivalents, beginning of year	3,049,192	2,401,510
Cash and cash equivalents, end of year	<u>\$ 997,661</u>	<u>\$ 3,049,192</u>

See accompanying notes to financial statements.

ParticipACTION

Notes to Financial Statements

Year ended March 31, 2022

ParticipACTION (the "Corporation") is a non-profit corporation incorporated without share capital. The Corporation was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in January 2014. The Corporation's principal activities are the promotion of health and physical fitness of Canadians through mass communication. The Corporation is a registered charitable organization, and is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The most significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and short-term investments with maturities of less than 90 days.

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions, which include donations and sponsorships and grants.

Donations are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. No accruals are made for monies pledged but not yet received.

Funding grants from government and amounts received from promotion sponsors are recorded as revenue as the services are rendered or as the merchandise is provided.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Interest income is recorded on the accrual basis.

ParticipACTION

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided using the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	3 years
Computers	3 years
Leasehold improvements	Term of lease

(d) Contributed materials and services:

Contributed materials and services are recognized only if the fair value can be reasonably estimated at the date of contribution and when the materials and services are used in the normal course of the Corporation's operations and would otherwise have been purchased.

During the year, the Corporation received in-kind materials and services in the amount of \$12,197,738 (2021 - \$14,163,589) in the form of media, products and services to support the Corporation's initiatives. These contributed services and materials are not recognized in the statement of operations.

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has elected to carry any such financial instruments at fair value.

ParticipACTION

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

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 Corporation 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 Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Attribution of general administration expenses:

Certain administration support expenses are attributed to project expenses based on either task-based service or estimated effort expended.

(g) Use of estimates:

The preparation of the 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the amortization expense and accrued liabilities. Actual results could differ from those estimates.

2. Cash and cash equivalents and short-term investments:

Short-term investments include a fixed interest-bearing guaranteed investment certificate (2021- cash and cash equivalents include a fixed interest-bearing guaranteed investment certificate). The guaranteed investment certificate bears interest at 1.25% (2021 - 1.75%) and matures in March 2023 (2021 - April 2021). As at March 31, 2022, this guaranteed investment certificate in the amount of \$1,000,822 (2021 - \$1,017,212) is classified as short-term investments (2021 - cash and cash equivalents) as it matures within 12 months (2021 - 90 days).

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Notes to Financial Statements (continued)

Year ended March 31, 2022

3. Capital assets:

			2022	2021
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 54,445	\$ 54,445	\$ –	\$ –
Computers	99,848	85,571	14,277	32,180
Leasehold improvements	52,926	48,434	4,492	12,894
	\$ 207,219	\$ 188,450	\$ 18,769	\$ 45,074

4. Deferred contributions:

Deferred contributions related to expenses of future years represent unspent externally restricted donations and grants.

	2022	2021
Balance, beginning of year	\$ 406,000	\$ 398,957
Amounts received	267,650	733,572
Amounts spent	(541,202)	(726,529)
Balance, end of year	\$ 132,448	\$ 406,000

5. Strategic reserve fund:

The Board of Directors has established a reserve fund to allow for extraordinary events that may affect the ordinary operations of the Corporation.

ParticipACTION

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Attribution of expenses:

Staffing expenses of \$2,900,795 (2021 - \$2,810,700) reported in the statement of operations are reported after attribution of nil (2021 - \$93,052) to project expenses. Attribution of staffing expenses to project expenses varies each year depending on the mix of funding grants and the direct allocation of funding to staffing expenses.

7. Government assistance:

During 2021, the Corporation applied for and received government assistance under the Canada Emergency Wage Subsidy ("CEWS") and Canadian Emergency Rent Subsidy ("CERS") programs launched by the Canadian government in response to the coronavirus pandemic outlined in note 10. Included in interest and miscellaneous revenue, the Corporation received nil (2021 - \$234,905) under the CEWS program and nil (2021 - \$14,045) under the CERS program.

8. Commitments:

The future minimum annual lease payments required under various operating leases, excluding realty taxes and common area maintenance, are approximately as follows:

2023	\$ 97,000
2024	50,000
2025	3,000
2026	3,000
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	\$ 153,000

9. Financial instruments:

Investment risk management:

Investment risk management relates to the understanding and active management of risk associated with all areas of investments and the associated operating environment. Investments are primarily exposed to market risk and possibly early redemption by the issuer. The Corporation reviews its investment assets mix and cash requirements annually.

There has been no change to the above risk exposure from 2021.

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Notes to Financial Statements (continued)

Year ended March 31, 2022

10. Market risk:

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus. The situation is constantly evolving, and the measures put in place are having a significant impact on economic and social matters.

Management is closely monitoring the situation and evaluating the impact of guidance and regulations implemented by medical and government bodies across the country. As new information becomes available management will continue to evaluate the financial impact.

The current events and conditions are expected to be temporary; however, there is uncertainty around the length of the disruption and impact on future operations.

ParticipACTION

Schedule 1 - Sport Canada Contributions

Year ended March 31, 2022

Revenue:

Reference level:

Sport support program grant	\$ 1,989,000
Gender equity and safety in sport (within the organization)	94,250
	<hr/>
	2,083,250
Gender equity in sport (outside the organization)	68,000
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	2,151,250

Expenses:

General administrative:

Office and general	191,492
Board of Directors	8,508
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	200,000

Staffing:

Salaries and benefits	926,236
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Operations and programming:

Programs	296,307
Marketing and communication	453,751
Thought leadership	73,937
Evaluation	25,769
	<hr/>
	849,764

Official languages:

Translation costs	13,000
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Gender equity and safety in sport (within the organization)	94,250
Gender equity in sport (outside the organization)	68,000
	<hr/>
	162,250
	<hr/>
	2,151,250

Excess of revenue over expenses	\$ -
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Schedule 2 - Public Health Agency of Canada Contributions

Year ended March 31, 2022

Revenue:	
Grants	\$ 4,770,000
Expenses:	
Materials	1,456,471
Personnel	1,189,325
Performance measurement	280,000
Rent	100,533
Travel	1,175
Utilities	24,468
Equipment	2,500
	<hr/> 3,054,472
Other:	
Media	809,324
Rewards	436,204
Grants	470,000
	<hr/> 1,715,528
	<hr/> 4,770,000
<hr/> Excess of revenue over expenses	<hr/> \$ —