

Consolidated financial statements of

Right To Play International

December 31, 2015

Right To Play International

December 31, 2015

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Independent Auditor's Report

To the Board of Directors of
Right To Play International

We have audited the accompanying consolidated financial statements of Right To Play International (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and 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 consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2015 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 29, 2016

Right To Play International

Consolidated statement of financial position as at December 31, 2015

	2015	2014
	\$	\$
Assets		
Current assets		
Cash (Note 4)	16,399,474	15,403,648
Contributions receivable	4,974,035	3,706,332
Harmonized Sales Tax receivable	127,863	128,656
Prepaid and other expenses	1,164,061	829,241
	22,665,433	20,067,877
Capital assets (Note 5)	27,528	138,732
	22,692,961	20,206,609
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	2,626,626	2,180,130
Deferred contributions (Note 6)	13,618,274	12,328,483
Bank loan (Note 8)	334,825	878,643
	16,579,725	15,387,256
Long-term		
Deferred capital contributions (Note 7)	-	16,536
Bank loan (Note 8)	-	292,881
	16,579,725	15,696,673
Commitments and contingencies (Notes 11 and 12)		
Net assets		
Invested in capital assets	27,528	122,196
Internally restricted net assets (Note 16)	2,518,722	1,864,332
Unrestricted	3,566,986	2,523,408
	6,113,236	4,509,936
	22,692,961	20,206,609

Approved by the Board



Director



Director

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Right To Play International

Consolidated statement of operations year ended December 31, 2015

	2015	2014
	\$	\$
Revenue		
Restricted - programs	25,164,586	24,675,237
Restricted - other	4,764,212	4,771,404
Unrestricted	18,020,139	17,552,458
Donations-in-kind (Note 9)	184,655	13,159
Amortization of deferred capital contributions	16,536	181,302
Total revenue	48,150,128	47,193,560
Expenses		
Program expenses		
International programs	30,603,579	29,378,648
International program development and management	3,252,665	2,662,353
Development education	1,876,031	2,625,829
Program institutional partnerships, and monitoring and evaluation	806,615	849,699
Policy and advocacy	382,861	377,344
Total program expenses	36,921,751	35,893,873
Non-program expenses		
Administrative	2,801,582	3,062,455
Fund raising	6,823,495	6,757,661
Total non-program expenses	9,625,077	9,820,116
Total expenses	46,546,828	45,713,989
Excess of revenue over expenses	1,603,300	1,479,571

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Right To Play International

Consolidated statement of changes in net assets
year ended December 31, 2015

				2015	2014
	Invested in capital assets	Internally restricted (Note 16)	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Net assets, beginning of year	122,196	1,864,332	2,523,408	4,509,936	3,030,365
(Deficiency) excess of revenue over expenses	(125,500)	-	1,728,800	1,603,300	1,479,571
Purchase of capital assets	14,296	-	(14,296)	-	-
Amortization of deferred capital contributions	16,536	-	(16,536)	-	-
Transfer (Note 16)	-	654,390	(654,390)	-	-
Net assets, end of year	27,528	2,518,722	3,566,986	6,113,236	4,509,936

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Right To Play International

Consolidated statement of cash flows year ended December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses	1,603,300	1,479,571
Amortization of capital assets	125,500	204,023
Amortization of deferred capital contribution	(16,536)	(181,302)
Unrealized foreign exchange loss (gain) on bank loan	182,733	(22,858)
	1,894,997	1,479,434
Changes in non-cash working capital		
Contributions receivable	(1,267,703)	(26,305)
Harmonized Sales Tax receivable	793	(14,115)
Prepaid and other expenses	(334,820)	460,120
Accounts payable and accrued liabilities	446,496	796,832
Deferred contributions	1,289,791	1,405,677
	2,029,554	4,101,643
Investing activities		
Deferred capital contributions received	-	1,300
Purchase of capital assets	(14,296)	(23,242)
	(14,296)	(21,942)
Financing activity		
Repayment of bank Loan	(1,019,432)	-
Net increase in cash during the year	995,826	4,079,701
Cash, beginning of year	15,403,648	11,323,947
Cash, end of year	16,399,474	15,403,648
Additional information		
Interest paid on bank loan	5,263	6,774

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Right To Play International

Notes to the consolidated financial statements

December 31, 2015

1. Nature of Corporation

The predecessor organization, Olympic Aid Canada was incorporated without share capital under the Canada Corporations Act on November 29, 2000. On February 5, 2003, Olympic Aid Canada changed its name to Right to Play Corporation. Then effective May 14, 2004, Right to Play Corporation received a registered name change to Right To Play International (the "Corporation") under the Canada Corporations Act. On September 19, 2013, Right To Play International was continued under section 211 of the Canada Not-For-Profit Corporations Act.

The Corporation is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The Corporation is a global organization that uses the transformative power of play to educate and empower children facing adversity. Through playing sports and games, the Corporation helps children in more than 20 countries to build essential core curriculum and life skills and better futures, while driving lasting social change. Founded in 2000 by four-time Olympic gold medalist and social entrepreneur Johann Olav Koss, the Corporation is headquartered in Toronto, Canada and has national offices in Canada, Germany, Norway, the Netherlands, Switzerland, the United Kingdom, and the United States and regional offices in Africa, Asia and the Middle East. The Corporation's activities consist of the following:

(a) The delivery of programs in situations of disadvantage around the world to:

- Support sport and play as a strategy to enhance child development;
- Build community capacity to deliver sport and play by training local sport leadership;
- Use sport and play to promote the health and well being of a population; and
- Reduce violence through sport and play based programs with peace and conflict-resolution education.

(b) The development of education programs which:

- Raise awareness of sport and play as an effective development strategy;
- Use sport and play to teach the value of a quality education, healthy living and peace building; and
- Develop life skills in children living in situations of disadvantage around the world.

(c) Research and policy development to support the inclusion of sport and play, at the national and international levels, as recognized and well supported strategies of child and community development.

(d) Program Monitoring and Evaluation to ensure the best quality program resources and materials for the children participating in the Corporation's programming.

2. Financial statement presentation

These consolidated financial statements include 100% of the assets, liabilities, revenues and expenses of the following controlled entities:

Stiftelse Right To Play (Norway)
Stichting Right To Play (Netherlands)
Foundation Right To Play (Switzerland)
Right To Play UK Limited (United Kingdom)
Right To Play Holding Inc. (Canada)
Sports Humanitarian Group, Inc. (USA)
Right To Play Hong Kong Limited (Hong Kong)
Right To Play Deutschland GmbH (Germany)

The controlled entities' purpose is integrated with that of the Corporation so that they have common objectives. In addition, they solicit funds in the name of the Corporation and all funds raised (excluding costs of local operations) are sent to the Corporation to be used at its discretion and as per any restrictions from donors.

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Notes to the consolidated financial statements

December 31, 2015

2. Financial statement presentation (continued)

The controlled entities are responsible for fundraising and educating others about the Corporation and sport for development in their respective countries and for maintaining relations with the various government funders of Right To Play programs.

3. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with Accounting Standards for Not-for-profit Organization ("ASNPOs"). The significant accounting policies are summarized below:

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. 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. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Other donations are recorded on a cash basis, since pledges are not legally enforceable claims.

Deferred contributions

The Corporation receives funds to support its programs primarily from various governments, governmental organizations, foundations and private donors. Certain funds received from these sources are restricted for use in specified programs of the Corporation and, as such, are deferred until expended for the intended purpose.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the Consolidated statement of financial position date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expense items are translated at the rates of exchange prevailing on the transaction dates. Foreign exchange gains or losses are included in the determination of the excess of revenue over expenses for the year.

Donations-in-kind

Donations-in-kind are recognized in these financial statements when the fair value can be reasonably determined.

Deferred capital contributions

Amounts donated with respect to capital assets are included as deferred capital contributions and are amortized at the same rate as the related capital assets.

Capital assets

Purchased capital assets are recorded at cost. Capital assets are amortized over their estimated useful lives as follows:

Computer hardware and software	30% declining-balance
Furniture and fixtures	20% declining-balance
Leasehold improvements	straight-line over the term of the lease
Conferecing equipment	straight-line over three years.

Financial instruments

The Corporation's financial assets are comprised of cash and contribution receivable; financial liabilities are comprised of accounts payable, accrued liabilities and bank loan. Other accounts noted on the Consolidated statement of financial position are not financial instruments.

Financial assets and financial liabilities are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Right To Play International

Notes to the consolidated financial statements

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3. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with ASNPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include amortization of capital assets, accrued liabilities, deferred contributions, deferred capital contributions, foreign exchange translations, and allocation of expenses.

Allocation of expenses

The Corporation allocates its general support expenses to international programs, development education and fundraising expenses on the basis of time spent by employees during the month and/or based on the ratio of monthly salaries. Such allocations are reviewed by management on a regular basis.

4. Cash

Cash consists of the following:

	2015	2014
	\$	\$
Unrestricted cash	2,781,200	3,075,165
Restricted cash	13,618,274	12,328,483
	16,399,474	15,403,648

Restricted cash represents the amounts held for deferred contributions.

5. Capital assets

Capital assets consist of the following:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer hardware and software	492,102	488,734	3,368	33,959
Furniture and fixtures	200,422	179,927	20,495	64,962
Leasehold improvements	281,330	277,665	3,665	23,275
Conferencing equipment	543,907	543,907	-	16,536
	1,517,761	1,490,233	27,528	138,732

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Notes to the consolidated financial statements

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6. Deferred contributions

Deferred contributions represent the unrecognized amount of restricted contributions received. These deferred contributions are recorded as revenue in the Consolidated statement of operations when expended for the intended purposes.

The changes in the deferred contributions balance are as follows:

	2015	2014
	\$	\$
Balance, beginning of year	12,328,483	10,922,806
Contributions received	29,796,910	29,892,904
Contributions receivable	1,421,679	959,414
Contributions recognized as revenue	(29,928,798)	(29,446,641)
Balance, end of year	13,618,274	12,328,483

7. Deferred capital contributions

	2015	2014
	\$	\$
Conferencing donated equipment	543,907	543,907
Accumulated amortization	(543,907)	(527,371)
	-	16,536

The donated equipment was amortized on the straight-line basis over three years.

8. Bank loan

The Corporation has an unsecured bank loan with a variable interest rate (the bank's funding rate plus 0.5%) due on March 31, 2016. The bank loan is structured as a revolving bank facility. Interest for the year amounted to \$5,263 (2014 - \$6,774). The carrying value of the bank loan approximates its fair value due to its short-term maturity. The current portion of the loan is \$334,825 (2014 - \$878,643) and the long-term portion is \$Nil (2014 - \$292,881).

9. Donations-in-kind

Donations-in-kind consist of:

	2015	2014
	\$	\$
Rent	52,375	-
Software licenses and training	129,583	-
Other	2,697	13,159
	184,655	13,159

These amounts are included in Program and non-program expenses.

10. Program activities

Right To Play has programs in: Benin, Burundi, Canada, China, Ethiopia, Ghana, Jordan, Kenya, Lebanon, Liberia, Mali, Mozambique, Pakistan, the Palestinian Territories (West Bank and Gaza), Peru, Rwanda, South Sudan, Tanzania, Thailand and Uganda. Right To Play also has Training and Technical Assistance programs in Bolivia, Colombia, Norway, Panama and the United States.

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11. Lease commitments

The Corporation has entered into operating leases for its premises which expire in July 2027. Future minimum annual payments under these operating leases are approximately as follows:

	\$
2016	849,556
2017	736,139
2018	697,466
2019	676,819
2020	589,808
Thereafter	3,833,755
	<u>7,383,543</u>

12. Contingencies

- (a) The terms of contribution agreements may allow contributors to conduct audits to ensure program expenses are in accordance with the terms and conditions of funding agreements. Ineligible expenses, if any, may result in the Corporation reimbursing a portion of the funding. Management is of the opinion that the Corporation has incurred no material ineligible expenses and has, accordingly, not recorded any liability for reimbursement of related funding.
- (b) Discussions are ongoing with a major funder related to eligible expenses. Neither the outcome nor the amount of the possible settlement can be reasonably estimated at this time and hence no amount has been recorded in these financial statements. Any charge will be recognized in the year it is determined.

13. Guarantees

In the normal course of business, the Corporation enters into agreements that meet the definition of a guarantee. The Corporation's primary guarantees are as follows:

- (a) Indemnity has been provided to all directors and or officers of the Corporation for various items including, but not limited to, all costs to settle suits or actions due to involvement with the Corporation, subject to certain restrictions. The Corporation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Corporation. The maximum amount of any future payment cannot be reasonably estimated.
- (b) In the normal course of business, the Corporation has entered into agreements that include indemnities in favour of third parties, such as engagement letters with advisors. These indemnification agreements may require the Corporation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparties as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

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14. Allocation of expenses

The Corporation has allocated its common expenses as follows:

	Program expenses		Non-program expenses	
	International programs	Development education	Administrative	Fund raising
	\$	\$	\$	\$
Occupancy	380,487	93,533	272,476	326,578
Telephone	67,013	15,073	39,716	38,986
Office supplies and computer-related expenses	105,948	18,553	81,879	28,493
Amortization and insurance	81,891	17,807	92,497	32,476
Other	12,101	40,440	7,118	37,278
	647,440	185,406	493,686	463,811
	Program expenses		Non-program expenses	
	International programs	Development education	Administrative	Fund raising
	\$	\$	\$	\$
Occupancy	340,719	125,093	183,000	358,410
Telephone	46,589	43,186	37,818	16,828
Office supplies and computer-related expenses	65,571	48,219	68,164	23,679
Amortization and insurance	125,383	35,128	135,648	18,527
Other	541	62,569	2,768	64,352
	578,803	314,195	427,398	481,796

15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil with respect to government remittances as at December 31, 2015 and 2014.

16. Internally restricted net assets

The Corporation has internally restricted \$2,518,722 (2014 - \$1,864,332) as a reserve fund. This fund was set up to fund short-term cash flow needs of the Corporation.

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Notes to the consolidated financial statements

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17. Risk management

The Corporation is subject to the following risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's credit risk is minimal as its accounts receivable is mainly with government agencies and large entities.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation has operations outside of Canada and is therefore directly exposed to currency risk, as the value of its receivables and payables denominated in other currencies will fluctuate due to changes in exchange rates.