
Consolidated financial statements of Right To Play International

December 31, 2017

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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, 2017, 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, 2017 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 26, 2018

Right To Play International
Consolidated statement of financial position
AS at December 31, 2017

	Notes	2017	2016
		\$	\$
Assets			
Current assets			
Cash	4	21,393,529	18,183,096
Contributions receivable		5,407,805	5,587,772
Harmonized Sales Tax receivable		178,152	136,612
Prepaid and other expenses		1,029,787	736,969
		28,009,273	24,644,449
Capital assets	5	367,332	111,885
		28,376,605	24,756,334
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	14	3,443,380	3,301,433
Deferred contributions	6	15,681,918	12,952,926
Deferred lease inducement		33,133	33,133
		19,158,431	16,287,492
Long-term			
Deferred lease inducement		276,113	309,246
Deferred capital contributions	7	513,095	-
		19,947,639	16,596,738
Commitments and contingencies	10, 11		
Net assets			
Invested in capital assets		172,726	111,885
Internally restricted net assets	15	4,025,387	4,003,591
Unrestricted		4,230,853	4,044,120
		8,428,966	8,159,596
		28,376,605	24,756,334

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

Approved by the Board

 Director
 Director

Right To Play International
Consolidated statement of operations
Year ended December 31, 2017

	Notes	2017	2016
		\$	\$
Revenue			
Restricted - programs		35,146,458	32,940,304
Restricted - other		3,354,733	3,834,502
Unrestricted		13,896,409	17,198,058
Donations-in-kind - other	8	-	319,330
Total revenue		52,397,600	54,292,194
Expenses			
Program expenses			
International programs		37,375,268	36,955,058
International program development and management		3,499,607	2,841,113
Development education		1,785,783	1,800,905
Program institutional partnerships, and monitoring and evaluation		1,871,858	1,314,091
Policy and advocacy		166,568	268,248
Total program expenses		44,699,084	43,179,415
Non-program expenses			
Administrative		1,629,890	2,555,423
Fund raising		5,799,256	6,510,996
Total non-program expenses		7,429,146	9,066,419
Total expenses		52,128,230	52,245,834
Excess of revenue over expenses		269,370	2,046,360

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, 2017

Note	2017			2016	
	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
	\$	\$	\$	\$	\$
Net assets, beginning of year	111,885	4,003,591	4,044,120	8,159,596	6,113,236
(Deficiency) excess of revenue over expenses for the year	(30,594)	-	299,964	269,370	2,046,360
Purchase of capital assets	286,041	-	(286,041)	-	-
Deferred capital contributions	(194,606)	-	194,606	-	-
Transfer	-	21,796	(21,796)	-	-
Net assets, end of year	172,726	4,025,387	4,230,853	8,428,966	8,159,596

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, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses	269,370	2,046,360
Amortization of capital assets	30,594	10,187
Amortization of deferred lease inducements	(33,133)	(22,089)
Unrealized foreign exchange gain on bank loan	-	(4,964)
	266,831	2,029,494
Changes in non-cash working capital		
Contributions receivable	179,967	(613,737)
Harmonized Sales Tax receivable	(41,540)	(8,749)
Prepaid and other expenses	(292,818)	427,092
Accounts payable and accrued liabilities	141,947	674,807
Deferred contributions	2,728,992	(665,348)
Deferred lease inducements	-	364,468
	2,983,379	2,208,027
Investing activities		
Purchase of capital assets	(286,041)	(94,544)
Deferred capital contributions	513,095	-
	227,054	(94,544)
Financing activity		
Repayment of bank loan	-	(329,861)
Net increase in cash during the year	3,210,433	1,783,622
Cash, beginning of year	18,183,096	16,399,474
Cash, end of year	21,393,529	18,183,096
Additional Information		
Interest paid on bank loan	-	762

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
Year ended December 31, 2017

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 new 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 operating in 20 countries with programs in Africa, Asia, the Middle East and North America. The Corporation works in both development and humanitarian contexts using different forms of play, including sports and games to educate, empower and protect children in disadvantaged communities. 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 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 different forms of play as a strategy to enhance child development;
 - Build community capacity to deliver play by training local leadership;
 - Use various forms of play to promote the health and wellbeing of a population; and
 - Reduce violence through play based programs with peace and conflict-resolution education.
- (b) The development of education programs which:
 - Raise awareness of play as an effective development strategy;
 - Use play to teach the value of a quality education, healthy living and peace building;
 - Develop life skills in children living in situations of disadvantage around the world.
- (c) Research and policy development to support the inclusion of 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)
Right To Play Sweden (Sweden)
Le Yi Hui (Beijing) Consulting Company Limited

2. Financial statement presentation (continued)

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.

The controlled entities are responsible for fundraising and educating others about the Corporation in their respective countries and for maintaining relations with the various government funders of the Corporation's 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.

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 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 expenses over revenue for the year.

Donations-in-kind

Donations-in-kind are recognized in these financial statements when the fair value can be reasonably determined and if the Corporation would have purchased the goods or services in the ordinary course of business.

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.

Deferred lease inducements

Deferred lease inducements, consisting of free rent, are amortized on the straight-line basis over the term of the lease.

Right To Play International
Notes to the consolidated financial statements
Year ended December 31, 2017

3. Summary of significant accounting policies (continued)

Capital assets

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

Computer hardware and software	straight-line over three years
Furniture and fixtures	straight-line over five years
Leasehold improvements	straight-line over the term of the lease

Financial instruments

The Corporation's financial assets are comprised of cash and contribution receivable; financial liabilities are comprised of accounts payable and accrued liabilities. Other amounts noted on the consolidated statement of financial position, such as harmonized sales tax receivable, prepaid expenses, capital assets, deferred contributions, deferred capital contributions and deferred lease inducements 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.

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, amortization of deferred lease inducements, foreign exchange translations, and allocation of expenses.

Allocation of expenses

The Corporation allocates its general support expenses to international programs, development education, administrative 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:

	2017	2016
	\$	\$
Restricted	15,681,918	12,952,926
Internally restricted	4,025,387	4,003,591
Unrestricted	1,686,224	1,226,579
	<u>21,393,529</u>	<u>18,183,096</u>

Restricted cash represents the amount held for deferred contributions.

Right To Play International
Notes to the consolidated financial statements
Year ended December 31, 2017

5. Capital assets

Capital assets consist of the following:

	2017		2016
	Accumulated	Net book	Net book
	Cost	mortization	value
	\$	\$	\$
Computer hardware and software	824,709	514,099	59,033
Furniture and fixtures	191,911	181,319	11,823
Leasehold improvements	317,878	271,748	41,029
	1,334,498	967,166	111,885

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 purpose.

The changes in the deferred contributions balance are as follows:

	2017	2016
	\$	\$
Balance, beginning of year	12,952,926	13,618,274
Contributions received	38,313,800	33,536,349
Contributions receivable	2,916,383	2,573,109
Contributions recognized as revenue	(38,501,191)	(36,774,806)
Balance, end of year	15,681,918	12,952,926

7. Deferred capital contributions

During the year, the Corporation received an amount of \$ 513,095 from Microsoft for the development of a new Enterprise Resource Planning ("ERP") system, of which \$ 194,606 has been spent and capitalized. Amortization of this amount will commence once the system becomes fully operational.

8. Donations-in-kind

Donations-in-kind consist of:

	2017	2016
	\$	\$
Rent	-	5,000
Software licenses and training	-	306,830
Other	-	7,500
	-	319,330

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

Right To Play International
Notes to the consolidated financial statements
Year ended December 31, 2017

9. Program activities

Right To Play has programs in: Benin, Burundi, Canada, China, Ethiopia, Ghana, Jordan, Lebanon, Liberia, Mali, Mozambique, Pakistan, the Palestinian Territories (West Bank and Gaza), Rwanda, Tanzania, Thailand, Uganda, Germany, Sweden and the United States.

10. Lease commitments

The Corporation has entered into operating leases for its premises and office equipment. Future minimum annual payments under these operating leases are approximately as follows:

	\$
2018	1,093,856
2019	908,534
2020	656,578
2021	619,628
2022	614,982
Thereafter	<u>2,818,668</u>
	<u>6,712,246</u>

11. Contingencies

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.

12. 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.

Right To Play International
Notes to the consolidated financial statements
Year ended December 31, 2017

13. Allocation of expenses

The Corporation has allocated its common expenses as follows:

					2017
	Program expenses		Non-program expenses		Total
	International programs	Development education	Administrative	Fund raising	
	\$	\$	\$	\$	\$
Occupancy	434,303	83,479	247,751	297,342	1,062,875
Telephone	39,074	11,933	20,203	34,093	105,303
Office supplies and computer-related expenses	31,209	6,095	23,510	17,265	78,079
Amortization and insurance	919	1,701	8,266	7,683	18,569
Other	-	74,716	-	74,716	149,432
	505,505	177,924	299,730	431,099	1,414,258

					2016
	Program expenses		Non-program expenses		Total
	International programs	Development education	Administrative	Fund raising	
	\$	\$	\$	\$	\$
Occupancy	366,031	84,290	235,589	312,115	998,025
Telephone	39,892	11,819	18,305	33,647	103,663
Office supplies and computer-related expenses	134,667	20,391	87,520	44,153	286,731
Amortization and insurance	37,529	6,831	68,837	18,278	131,475
Other	67,768	60,952	4,223	61,294	194,237
	645,887	184,283	414,474	469,487	1,714,131

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$Nil with respect to government remittances as at December 31, 2017 and 2016.

15. Internally restricted net assets

The Corporation has internally restricted \$4,025,387 (2016 - \$4,003,591) as a reserve fund. This fund was set up to fund short-term cash flow needs of the Corporation.

16. 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. During the year, the foreign exchange loss was \$297,859 (2016 - \$244,519).