

Consolidated financial statements of

Right To Play International

December 31, 2016

Right To Play International

December 31, 2016

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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, 2016, 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, 2016 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 27, 2017

Right To Play International


Consolidated statement of financial position

as at December 31, 2016

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash (Note 4) | 18,183,096 | 16,399,474 |
| Contributions receivable | 5,587,772 | 4,974,035 |
| Harmonized Sales Tax receivable | 136,612 | 127,863 |
| Prepaid and other expenses | 736,969 | 1,164,061 |
| | 24,644,449 | 22,665,433 |
| Capital assets (Note 5) | 111,885 | 27,528 |
| | 24,756,334 | 22,692,961 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 14) | 3,301,433 | 2,626,626 |
| Deferred contributions (Note 6) | 12,952,926 | 13,618,274 |
| Bank loan (Note 7) | - | 334,825 |
| | 16,254,359 | 16,579,725 |
| Long-term | | |
| Deferred lease inducement | 342,379 | - |
| | 16,596,738 | 16,579,725 |
| Commitments and contingencies (notes 10 and 11) | | |
| Net assets | | |
| Invested in capital assets | 111,885 | 27,528 |
| Internally restricted net assets (Note 15) | 4,003,591 | 2,518,722 |
| Unrestricted | 4,044,120 | 3,566,986 |
| | 8,159,596 | 6,113,236 |
| | 24,756,334 | 22,692,961 |

Approved by the Board

 _____ Director

 _____ Director

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

Right To Play International

Consolidated statement of operations year ended December 31, 2016

| | 2016 | 2015 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Revenue | | |
| Restricted - programs | 32,940,304 | 25,164,586 |
| Restricted - other | 3,834,502 | 4,764,212 |
| Unrestricted | 17,198,058 | 18,020,139 |
| Donations-in-kind - other (Note 8) | 319,330 | 184,655 |
| Amortization of deferred capital contributions | - | 16,536 |
| Total revenue | 54,292,194 | 48,150,128 |
| Expenses | | |
| Program expenses | | |
| International programs | 36,955,058 | 30,603,579 |
| International program development and management | 2,841,113 | 3,252,665 |
| Development education | 1,800,905 | 1,876,031 |
| Program institutional partnerships, and monitoring and evaluation | 1,314,091 | 806,615 |
| Policy and advocacy | 268,248 | 382,861 |
| Total program expenses | 43,179,415 | 36,921,751 |
| Non-program expenses | | |
| Administrative | 2,555,423 | 2,801,582 |
| Fund raising | 6,510,996 | 6,823,495 |
| Total non-program expenses | 9,066,419 | 9,625,077 |
| Total expenses | 52,245,834 | 46,546,828 |
| Excess of revenue over expenses | 2,046,360 | 1,603,300 |

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

Right To Play International

Consolidated statement of changes in net assets year ended December 31, 2016

| | | | | 2016 | 2015 |
|---|----------------------------------|--------------------------|------------------|------------------|-----------|
| | Invested in capital assets | Internally restricted | Unrestricted | Total | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Net assets, beginning of year | 27,528 | 2,518,722 | 3,566,986 | 6,113,236 | 4,509,936 |
| Excess of revenue over expenses for the year | (10,187) | - | 2,056,547 | 2,046,360 | 1,603,300 |
| Purchase of capital assets | 94,544 | - | (94,544) | - | - |
| Transfer (Note 15) | - | 1,484,869 | (1,484,869) | - | - |
| Net assets, end of year | 111,885 | 4,003,591 | 4,044,120 | 8,159,596 | 6,113,236 |

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

Right To Play International

Consolidated statement of cash flows year ended December 31, 2016

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Operating activities | | |
| Excess of revenue over expenses | 2,046,360 | 1,603,300 |
| Amortization of capital assets | 10,187 | 125,500 |
| Amortization of deferred capital contribution | - | (16,536) |
| Amortization of deferred lease inducements | (22,089) | - |
| Unrealized foreign exchange (gain) loss on bank loan | (4,964) | 182,733 |
| | 2,029,494 | 1,894,997 |
| | | |
| Changes in non-cash working capital | | |
| Contributions receivable | (613,737) | (1,267,703) |
| Harmonized Sales Tax receivable | (8,749) | 793 |
| Prepaid and other expenses | 427,092 | (334,820) |
| Accounts payable and accrued liabilities | 674,807 | 446,496 |
| Deferred contributions | (665,348) | 1,289,791 |
| Deferred lease inducements | 364,468 | - |
| | 2,208,027 | 2,029,554 |
| | | |
| Investing activity | | |
| Purchase of capital assets | (94,544) | (14,296) |
| | | |
| Financing activity | | |
| Repayment of bank loan | (329,861) | (1,019,432) |
| | | |
| Net increase in cash during the year | 1,783,622 | 995,826 |
| Cash, beginning of year | 16,399,474 | 15,403,648 |
| Cash, end of year | 18,183,096 | 16,399,474 |
| | | |
| Additional Information | | |
| Interest paid on bank loan | 762 | 5,263 |

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

Right To Play International

Notes to the consolidated financial statements

December 31, 2016

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 that uses the transformative power of play to educate and empower children facing adversity. Through different forms of play, including sports and games, the Corporation helps children in 20 countries 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 well being 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

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 and sport for development in their respective countries and for maintaining relations with the various government funders of Right To Play programs.

Right To Play International

Notes to the consolidated financial statements

December 31, 2016

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 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 lease.

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, accrued liabilities and bank loan. Other accounts noted on the consolidated statement of financial position, such as harmonized sales tax receivable, prepaid expenses, capital assets and 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.

Right To Play International

Notes to the consolidated financial statements

December 31, 2016

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, amortization of deferred capital contributions, 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 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:

| | 2016 | 2015 |
|-------------------|-------------------|-------------------|
| | \$ | \$ |
| Unrestricted cash | 5,230,170 | 2,781,200 |
| Restricted cash | 12,952,926 | 13,618,274 |
| | 18,183,096 | 16,399,474 |

Restricted cash represents the assets held for deferred contributions.

5. Capital assets

Capital assets consist of the following:

| | | | 2016 | 2015 |
|--------------------------------|------------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Computer hardware and software | 535,557 | 476,524 | 59,033 | 3,368 |
| Furniture and fixtures | 190,301 | 178,478 | 11,823 | 20,495 |
| Leasehold improvements | 322,598 | 281,569 | 41,029 | 3,665 |
| | 1,048,456 | 936,571 | 111,885 | 27,528 |

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Notes to the consolidated financial statements

December 31, 2016

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:

| | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| | \$ | \$ |
| Balance, beginning of year | 13,618,274 | 12,328,483 |
| Contributions received | 33,536,349 | 29,796,910 |
| Contributions receivable | 2,573,109 | 1,421,679 |
| Contributions recognized as revenue | (36,774,806) | (29,928,798) |
| Balance, end of year | 12,952,926 | 13,618,274 |

7. Bank loan

The Corporation had 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 was structured as a revolving bank facility. Interest for the year amounted to \$762 (2015 - \$5,263).

8. Donations-in-kind

Donations-in-kind consist of:

| | 2016 | 2015 |
|--------------------------------|---------|---------|
| | \$ | \$ |
| Rent | 5,000 | 52,375 |
| Software licenses and training | 306,830 | 129,583 |
| Other | 7,500 | 2,697 |
| | 319,330 | 184,655 |

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

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. Future minimum annual payments under these operating leases are approximately as follows:

| | \$ |
|------------|-----------|
| 2017 | 849,881 |
| 2018 | 840,809 |
| 2019 | 820,498 |
| 2020 | 637,631 |
| 2021 | 614,982 |
| Thereafter | 3,433,650 |
| | 7,197,451 |

Right To Play International

Notes to the consolidated financial statements

December 31, 2016

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.

13. Allocation of expenses

The Corporation has allocated its common expenses as follows:

| | | | | | 2016 |
|---|------------------------|-----------------------|----------------------|----------------|------------------|
| | Program expenses | | Non-program expenses | | |
| | International programs | Development education | Administrative | Fund raising | Total |
| | \$ | \$ | \$ | \$ | \$ |
| 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 |

Right To Play International

Notes to the consolidated financial statements

December 31, 2016

13. Allocation of expenses (continued)

| | Program expenses | | Non-program expenses | | 2015 |
|---|------------------------|-----------------------|----------------------|----------------|------------------|
| | International programs | Development education | Administrative | Fund raising | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Occupancy | 380,487 | 93,533 | 272,476 | 326,578 | 1,073,074 |
| Telephone | 67,013 | 15,073 | 39,716 | 38,986 | 160,788 |
| Office supplies and computer-related expenses | 105,948 | 18,553 | 81,879 | 28,493 | 234,873 |
| Amortization and insurance | 81,891 | 17,807 | 92,497 | 32,476 | 224,671 |
| Other | 12,101 | 40,440 | 7,118 | 37,278 | 96,937 |
| | <u>647,440</u> | <u>185,406</u> | <u>493,686</u> | <u>463,811</u> | <u>1,790,343</u> |

14. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include \$ Nil with respect to government remittances as at December 31, 2016 and 2015.

15. Internally restricted net assets

The Corporation has internally restricted \$ 4,003,591 (2015 - \$2,518,722) 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.