
Consolidated financial statements of Right To Play International

December 31, 2018

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Independent Auditor's Report

To the Board of Directors of
Right To Play International

Opinion

We have audited the consolidated financial statements of Right To Play International (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2018, 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 ("Canadian GAAS"). 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 the Corporation 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 audit 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 GAAS 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 GAAS, 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 the Corporation'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 Corporation'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 the Corporation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 27, 2019

Right To Play International
Consolidated statement of financial position
As at December 31, 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash	4	24,795,217	21,393,529
Contributions receivable		2,424,175	5,407,805
Harmonized Sales Tax receivable		206,285	178,152
Prepaid and other expenses		653,415	1,029,787
		28,079,092	28,009,273
Capital assets	5	1,190,836	367,332
		29,269,928	28,376,605
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	13	3,301,760	3,443,380
Deferred contributions	6	15,754,139	15,681,918
Deferred lease inducement		33,133	33,133
		19,089,032	19,158,431
Long-term			
Deferred lease inducement		242,979	276,113
Deferred capital contributions	7	1,032,504	513,095
		20,364,515	19,947,639
Commitments and contingencies	9 and 10		
Net assets			
Invested in capital assets		779,073	172,726
Internally restricted net assets	14	4,155,782	4,025,387
Unrestricted		3,970,558	4,230,853
		8,905,413	8,428,966
		29,269,928	28,376,605

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

Approved by the Board


_____, Director


_____, Director

Right To Play International
Consolidated statement of operations
Year ended December 31, 2018

	2018	2017
	\$	\$
Revenue		
Restricted – programs	33,059,755	35,146,458
Restricted – other	3,363,015	3,354,733
Unrestricted	15,844,506	13,896,409
	52,267,276	52,397,600
Expenses		
Program expenses		
International programs	35,805,508	37,375,268
International program development and management	3,120,546	3,499,607
Development education	1,764,824	1,785,783
Program institutional partnerships, and monitoring and evaluation	1,930,565	1,871,858
Policy and advocacy	134,450	166,568
Total program expenses	42,755,893	44,699,084
Non-program expenses		
Administrative	1,895,403	1,629,890
Fund raising	7,139,533	5,799,256
Total non-program expenses	9,034,936	7,429,146
	51,790,829	52,128,230
Excess of revenue over expenses	476,447	269,370

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

Right To Play International
Consolidated statement of changes in net assets
Year ended December 31, 2018

		2018			2017
		Invested in capital assets	Internally restricted	Unrestricted	Total
	Notes	\$	\$	\$	\$
Net assets, beginning of year		172,726	4,025,387	4,230,853	8,428,966
(Deficiency) excess of revenue over expenses for the year		(108,455)	—	584,902	476,447
Purchase of capital assets		931,959	—	(931,959)	—
Deferred capital contributions	7	(217,157)	—	217,157	—
Transfer	14	—	130,395	(130,395)	—
Net assets, end of year		779,073	4,155,782	3,970,558	8,905,413

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

Right To Play International
Consolidated statement of cash flows
Year ended December 31, 2018

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses	476,447	269,370
Amortization of capital assets	108,455	30,594
Amortization of deferred lease inducements	(33,134)	(33,133)
	551,768	266,831
Changes in non-cash working capital		
Contributions receivable	2,983,630	179,967
Harmonized Sales Tax receivable	(28,133)	(41,540)
Prepaid and other expenses	376,372	(292,818)
Accounts payable and accrued liabilities	(141,620)	141,947
Deferred contributions	72,221	2,728,992
	3,814,238	2,983,379
Investing activities		
Purchase of capital assets	(931,959)	(286,041)
Deferred capital contribution	519,409	513,095
	(412,550)	227,054
Net increase in cash during the year	3,401,688	3,210,433
Cash, beginning of year	21,393,529	18,183,096
Cash, end of year	24,795,217	21,393,529

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

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 18 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, Sweden the Netherlands, Switzerland, the United Kingdom, and the United States and regional offices in Africa, the Middle East and Asia. 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 year-end 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 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.

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
Branding	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 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:

	2018	2017
	\$	\$
Restricted - deferred contributions	15,754,139	15,681,918
Restricted - deferred capital contributions	620,741	318,489
Internally restricted	4,155,782	4,025,387
Unrestricted	4,264,555	1,367,735
	24,795,217	21,393,529

5. Capital assets

Capital assets consist of the following:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
	\$	\$	\$	\$
Computer hardware and software	1,069,211	574,994	494,217	310,610
Furniture and fixtures	193,198	183,862	9,336	10,592
Branding	658,784	36,598	622,186	—
Leasehold improvements	345,264	280,167	65,097	46,130
	2,266,457	1,075,621	1,190,836	367,332

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:

	2018	2017
	\$	\$
Balance, beginning of year	15,681,918	12,952,926
Contributions received	35,379,101	38,313,800
Contributions receivable	1,115,890	2,916,383
Contributions recognized as revenue	(36,422,770)	(38,501,191)
Balance, end of year	15,754,139	15,681,918

7. Deferred capital contributions

During the year, the Corporation received an amount of \$519,409 (\$513,095 in 2017) from Microsoft for the development of a new Enterprise Resource Planning ("ERP") system, of which \$217,157 (\$194,606 in 2017) has been spent and capitalized. Amortization of this amount will commence once the system becomes fully operational.

8. Program activities

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

9. 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:

	<u>\$</u>
2019	1,168,439
2020	888,478
2021	746,949
2022	638,463
2023	614,982
Thereafter	<u>2,203,686</u>
	<u>6,260,997</u>

10. 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.

11. 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
December 31, 2018

12. Allocation of expenses

The Corporation has allocated its common expenses as follows:

	Program expenses		Non-program expenses		2018
	International programs	Development education	Administrative	Fund raising	Total
	\$	\$	\$	\$	\$
Occupancy	374,643	42,045	330,196	330,387	1,077,271
Telephone	25,685	3,543	15,511	30,831	75,570
Office supplies and computer-related expenses	16,058	2,075	24,742	13,417	56,292
Amortization and insurance	1,071	2,170	11,043	11,756	26,040
Other	—	74,904	—	74,904	149,808
	417,457	124,737	381,492	461,295	1,384,981

	Program expenses		Non-program expenses		2017
	International programs	Development education	Administrative	Fund raising	Total
	\$	\$	\$	\$	\$
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

13. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include nil with respect to government remittances as at December 31, 2018 and 2017.

14. Internally restricted net assets

The Corporation has internally restricted \$4,155,782 (\$4,025,387 in 2017) as a reserve fund. This fund was set up to fund short-term cash flow needs of the Corporation.

15. 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.

15. Risk management (continued)

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 gain was \$34,622 (exchange loss \$297,859 in 2017).