
Consolidated financial statements of Right To Play International

December 31, 2022

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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 ("RTP"), which comprise the consolidated statement of financial position as at December 31, 2022, 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 RTP as at December 31, 2022, 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 RTP 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 RTP'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 RTP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing RTP'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 RTP'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 RTP'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 RTP 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 RTP 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

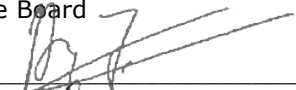
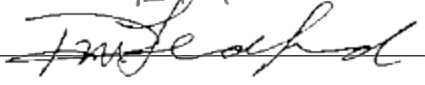
June 26, 2023

Right To Play International
Consolidated statement of financial position
As at December 31, 2022

	Notes	2022 \$	2021 \$
Assets			
Current assets			
Cash	4	34,636,553	38,489,497
Investments	5	4,155,782	—
Contributions receivable		3,808,145	5,441,000
Harmonized Sales Tax receivable		172,811	171,277
Prepaid and other expenses		1,249,569	1,227,976
		44,022,860	45,329,750
Capital assets	6	789,041	554,421
		44,811,901	45,884,171
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	15	4,818,642	4,649,590
Deferred contributions	7	21,338,817	24,963,901
Deferred lease inducements		31,093	35,756
		26,188,552	29,649,247
Long-term			
Deferred lease inducements		242,901	268,749
Deferred capital contributions	8	575,443	587,159
		27,006,896	30,505,155
Commitments and contingencies	11 and 12		
Net assets			
Invested in capital assets		555,132	308,796
Internally restricted net assets	16	4,155,782	4,155,782
Unrestricted		13,094,091	10,914,438
		17,805,005	15,379,016
		44,811,901	45,884,171

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, 2022

	Notes	2022 \$	2021 \$
Revenue			
Restricted	7	46,248,459	38,679,980
Unrestricted		18,497,097	13,917,991
Government subsidies		–	1,775,536
		64,745,556	54,373,507
Expenses			
Program expenses	9 and 14		
Program implementation		51,696,813	42,202,904
Public awareness and education		1,740,967	1,669,974
Total program expenses		53,437,780	43,872,878
Non-program expenses			
Administrative		3,742,396	4,120,203
Fundraising		5,139,391	3,673,716
Total non-program expenses		8,881,787	7,793,919
		62,319,567	51,666,797
Excess of revenue over expenses		2,425,989	2,706,710

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, 2022

	Invested in capital assets	Internally restricted	Unrestricted	2022 Total	2021 Total
Notes	\$	\$	\$	\$	\$
			(Note 16)		
Net assets, beginning of year	308,796	4,155,782	10,914,438	15,379,016	12,672,306
Excess (deficiency) of revenue over expenses for the year	(58,274)	—	2,484,263	2,425,989	2,706,710
Purchase of capital assets	541,604	—	(541,604)	—	—
Capital contributions received	(236,994)	-	236,994	—	—
Net assets, end of year	555,132	4,155,782	13,094,091	17,805,005	15,379,016

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, 2022

	Notes	2022 \$	2021 \$
Operating activities			
Excess of revenue over expenses		2,425,989	2,706,710
Items not affecting cash flows			
Amortization of capital assets		306,984	260,389
Amortization of deferred capital contributions		(248,710)	(229,743)
Loss on disposal of capital assets		–	22,379
Amortization of deferred lease inducements		(33,133)	(33,133)
		2,451,130	2,726,602
Changes in non-cash working capital items			
Contributions receivable		1,632,855	(2,222,117)
Harmonized Sales Tax receivable		(1,534)	(42,641)
Prepaid and other expenses		(21,593)	1,945
Accounts payable and accrued liabilities		169,052	317,036
Deferred contributions		(3,625,084)	2,532,060
		604,826	3,312,885
Investing activities			
Purchase of investments, net		(4,155,782)	–
Purchase of capital assets		(541,604)	(287,467)
Capital contributions received	8	236,994	–
		(4,460,392)	(287,467)
Financing activity			
Lease inducements received		2,622	127,793
Net (decrease) increase in cash during the year		(3,852,944)	3,153,211
Cash, beginning of year		38,489,497	35,336,286
Cash, end of year		34,636,553	38,489,497

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 15 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, Sweden, Switzerland, the United Kingdom, and the United States and country 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; and
 - 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 Deutschland Gmbh (Germany)
Right To Play Sweden (Sweden)

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.

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

Financial instruments

The Corporation's financial assets are comprised of cash, investments and contributions receivable; financial liabilities are comprised of accounts payable and accrued liabilities. Other balances noted on the consolidated statement of financial position, such as harmonized sales tax receivable, prepaid and other 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.

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.

Allocation of expenses

The Corporation allocates its salary, occupancy, and other shared costs expenses to program implementation, public awareness and education, administrative and fundraising expenses on the basis of time spent by employees during the month, the ratio of monthly salaries, and the square footage in headquarters and field offices. Such allocations are reviewed by management on a regular basis.

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

Right To Play International
Notes to the consolidated financial statements
Year ended December 31, 2022

4. Cash

Cash consists of the following:

	2022	2021
	\$	\$
Restricted – deferred contributions	21,338,817	24,963,901
Restricted – unspent deferred capital contributions	341,534	341,534
Internally restricted	4,155,782	4,155,782
Unrestricted	8,800,420	9,028,280
	34,636,553	38,489,497

Restricted cash includes deferred contributions and unspent deferred capital contributions.

5. Investments

Investments are comprised of a redeemable Guaranteed Investment Certificate bearing interest of 2.15% per annum and maturing on July 5, 2023.

6. Capital assets

Capital assets consist of the following:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
	\$	\$	\$	\$
Computer hardware and software	1,007,040	794,525	212,515	534,890
Furniture and fixtures	249,392	67,008	182,384	—
Leasehold improvements	441,309	47,167	394,142	19,531
	1,697,741	908,700	789,041	554,421

During 2021, the Corporation disposed of capital assets with an original cost of \$87,667 resulting in a loss on disposal of \$22,379. No similar disposals occurred during 2022.

7. 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:

	2022	2021
	\$	\$
Balance, beginning of year	24,963,901	22,431,841
Contributions received	39,964,837	40,646,960
Contributions receivable	2,658,538	565,080
Contributions recognized as revenue	(46,248,459)	(38,679,980)
Balance, end of year	21,338,817	24,963,901

8. Deferred capital contributions

The Corporation has received contributions of \$1,032,504 from Microsoft for the development of a new Enterprise Resource Planning ("ERP") system and other projects. The finance system portion of the ERP system was substantially completed and became operational on January 1, 2020. The remaining contribution is intended to be utilized in 2023 on the fundraising and other components of the ERP project.

In addition, a contribution of \$236,994 was received for during 2022 for leasehold improvements for the new office at 43 Front Street East, Unit 200, Toronto, Ontario. The continuity of the deferred capital contributions balance is as follows:

	2022	2021
	\$	\$
Balance, beginning of year	587,159	816,902
Contributions received during the year	236,994	—
Amortized to revenue during the year	(248,710)	(229,743)
Balance, end of year	575,443	587,159
Total contributions received from Microsoft	1,032,504	1,032,504
Cumulative amount spent on capital assets net of disposals of nil (nil in 2021)	(690,970)	(690,970)
Unspent deferred capital contributions, end of year	341,534	341,534

9. Donations-in-kind

Donations-in-kind consist of:

	2022	2021
	\$	\$
Occupancy	43,374	43,173
Other	55,132	2,566
	98,506	45,739

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

10. Program activities

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

11. 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>
2023	2,128,791
2024	1,646,284
2025	1,377,295
2026	1,338,329
2027	940,528
Thereafter	<u>1,515,603</u>
	<u>8,946,830</u>

The Corporation subleases one of its premises and sublease rent revenue provides funding for the rent expense related to the original lease. During 2022, the Corporation received rent revenue from its sublease arrangement of \$744,678 (2021 - \$67,698).

The Organization has entered into sublease agreements which expire in 2027 with revenue in aggregate of \$3,742,128. This sublease revenue is related to the above-noted commitments.

12. 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.

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.

14. Allocation of expenses

The Corporation has allocated its expenses including donations-in-kind (Note 9) as follows:

	Program expenses		Non-program expenses		2022 Total \$
	Program implementation \$	Public awareness and education \$	Administrative \$	Fundraising \$	
Salaries	2,027,532	1,044,819	2,085,638	978,596	6,136,585
Occupancy and other shared costs	545,762	70,912	509,343	56,230	1,182,247
	2,573,294	1,115,731	2,594,981	1,034,826	7,318,832

	Program expenses		Non-program expenses		2021 Total \$
	Program implementation \$	Public awareness and education \$	Administrative \$	Fundraising \$	
Salaries	1,346,815	795,818	669,280	1,225,556	4,037,469
Occupancy and other shared costs	703,479	64,848	431,555	241,097	1,440,979
	2,050,294	860,666	1,100,835	1,466,653	5,478,448

15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include nil with respect to government remittances as at December 31, 2022 and 2021.

16. Internally restricted net assets

The Corporation has internally restricted \$4,155,782 (2021 - \$4,155,782) as a reserve fund. This fund was set up to fund the short-term cash flow needs of the Corporation.

17. Risk management

The Corporation is subject to the following risks with respect to its financial instruments:

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 is exposed to credit risk with respect to its accounts receivable and investments. Credit risk is minimal as its accounts receivable is mainly with government agencies and large entities, and its investments are with reputable financial institutions.

17. 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 loss was \$127,424 (2021 -\$249,448).

Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk with respect to its investments. Such exposure will increase accordingly should the Corporation maintain higher levels of investments in the future.