

**Ontario Physical and Health
Education Association
Financial Statements
For the year ended March 31, 2018**

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Independent Auditor's Report

To the Directors of Ontario Physical and Health Education Association

We have audited the accompanying financial statements of Ontario Physical and Health Education Association, which comprise the balance sheet as at March 31, 2018, and the statements of changes in fund balances, financial activities 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 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 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 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 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 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 financial statements present fairly, in all material respects, the financial position of Ontario Physical and Health Education Association as at March 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 21, 2018

Ontario Physical and Health Education Association
Balance Sheet

March 31 **2018** **2017**

Assets

Current

Cash	\$ 1,179,731	\$ 1,068,607
Short-term investments (Note 2)	530,487	530,224
Accounts receivable	326,788	285,199
Prepaid expenses	54,865	58,107
	2,091,871	1,942,137

Capital assets (Note 3)

	20,328	24,770
	\$ 2,112,199	\$ 1,966,907

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities	\$ 255,166	\$ 228,819
Deferred revenue (Note 5)	754,748	729,157
Current portion of obligation under capital lease (Note 6)	6,691	10,036
	1,016,605	968,012

Obligation under capital lease (Note 6)

Rental inducement

	-	6,691
	71,739	39,631
	1,088,344	1,014,334

Fund Balances

Funds Invested in Capital Assets	13,637	8,043
Special Initiatives Fund	234,110	180,563
Emergency Contingency Fund	522,880	519,291
Employee Development Fund	50,426	50,426
Legacy Fund	3,614	4,114
General Fund	199,188	190,136
	1,023,855	952,573
	\$ 2,112,199	\$ 1,966,907

On behalf of the Board:

 _____ President

 _____ Executive Director

The accompanying notes are an integral part of these financial statements.

Ontario Physical and Health Education Association
Statement of Changes in Fund Balances

For the year ended March 31

	Funds Invested in Capital Assets	Special Initiatives Fund	Emergency Contingency Fund	Employee Development Fund	Legacy Fund	General Fund	2018 Total	2017 Total
Balance, beginning of year \$	8,043	\$ 180,563	\$ 519,291	\$ 50,426	\$ 4,114	\$ 190,136	\$ 952,573	\$ 928,126
Excess of revenue over expenditures	-	-	-	-	-	71,282	71,282	24,447
Interfund transfer	-	-	-	-	(500)	500	-	-
Internally restricted transfers (Note 1)	-	68,193	3,589	-	-	(71,782)	-	-
Amortization of capital assets	(19,088)	-	-	-	-	19,088	-	-
Transfer for the purchase of capital assets	14,646	(14,646)	-	-	-	-	-	-
Capital lease obligation payments	10,036	-	-	-	-	(10,036)	-	-
Balance, end of year	\$ 13,637	\$ 234,110	\$ 522,880	\$ 50,426	\$ 3,614	\$ 199,188	\$ 1,023,855	\$ 952,573

The accompanying notes are an integral part of these financial statements.

Ontario Physical and Health Education Association
Statement of Financial Activities

For the year ended March 31	2018	2017
Revenue		
Conference	\$ 170,793	\$ 182,036
Grants (Note 4)	91,823	19,029
Investment income	9,608	8,160
Merchandise sales and resource licensing revenue	194,886	91,507
Service contracts - government (Note 4)	3,165,491	2,893,054
Service contracts - other	411,233	748,206
Sponsorships	127,246	132,374
	4,171,080	4,074,366
Expenditures		
Amortization	19,088	17,791
Bad debts recovery	-	(4,656)
Board	18,102	20,093
Committees	7,474	6,344
Conference	169,914	180,183
Cost of sales	116,417	59,677
Marketing and communications	52,473	29,863
Office and general	12,985	11,764
Projects	3,608,739	3,605,214
Staffing	94,106	99,829
	4,099,298	4,026,102
Operating surplus before undernoted items	71,782	48,264
Less: Special Initiatives Fund expenditures	-	22,197
Less: Legacy Fund expenditures (Note 9)	500	1,620
Excess of revenue over expenditures for the year	\$ 71,282	\$ 24,447

The accompanying notes are an integral part of these financial statements.

Ontario Physical and Health Education Association

Statement of Cash Flows

For the year ended March 31	2018	2017
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 71,282	\$ 24,447
Adjustments required to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Amortization of capital assets	19,088	17,791
Changes in non-cash operating balances		
Accounts receivable	(41,589)	(24,533)
Prepaid expenses	3,242	(24,630)
Accounts payable and accrued liabilities	26,347	15,680
Deferred revenue	25,591	(255,992)
Rental inducement	32,108	39,631
	136,069	(207,606)
Investing activities		
Purchase of capital assets	(14,646)	(11,617)
Purchase of short term investments	(263)	(66,527)
	(14,909)	(78,144)
Financing activity		
Payment of capital lease obligation	(10,036)	(3,346)
	111,124	(289,096)
Increase (decrease) in cash during the year	111,124	(289,096)
Cash, beginning of year	1,068,607	1,357,703
Cash, end of year	\$ 1,179,731	\$ 1,068,607

The accompanying notes are an integral part of these financial statements.

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies

Purpose of Organization

The Ontario Physical and Health Education Association (the "Organization") exists to champion healthy, active living in schools and communities through quality programs and services, partnerships and advocacy so that all children and youth value and enjoy the life long benefits of healthy active living.

The Organization was incorporated on October 15, 1990 under the Corporations Act of Ontario as a not-for-profit organization and is not subject to income taxes.

The Organization was approved by the Canada Revenue Agency as a registered charity on January 29, 2016.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Revenue Recognition

The Organization follows the deferral method of accounting for revenue.

Conference revenue is recognized in the period in which the related event is held.

Restricted revenues from grants, service contracts and sponsorships are recognized in the period in which the related expenditures are incurred.

Merchandise sales are recognized when goods are shipped, the sales price is fixed and determinable, collectibility is reasonably assured, and title and risks of ownership have passed to the buyer.

Resource licensing revenue is recognized in the period in which the fees are earned.

Investment income includes interest income which is recognized when earned.

Deferred Revenue

Deferred revenue consists of amounts received less amounts expended on various projects, which will be earned or expended on projects in the ensuing fiscal years.

Rental Inducement

Rental expenses are recognized on a straight-line basis over the full term of the lease. Rental inducement consists of rent-free periods and other subsidies, and is recognized as the difference between the rent paid and the straight-line expensed value.

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment	- 33% straight line basis
Furniture and office equipment	- 33% straight line basis
Leasehold improvements	- 20% straight line basis
Equipment under capital lease	- straight-line over the term of the lease

Funds Invested in Capital Assets

Funds Invested in Capital Assets represents the balance provided for the acquisition of capital assets. During the year, the Board approved a transfer of \$14,646 (2017- \$31,690).

Special Initiatives Fund

The Board of Directors has established a reserve fund to finance certain leasehold improvements, capital assets, special initiatives, research and development, and unanticipated general contingencies incidental to the operation of its programs. During the year, the Board approved a transfer of \$68,193 (2017- \$34,750).

Emergency Contingency Fund

The Board of Directors has established a reserve fund to allow for extraordinary events that may affect the ordinary operations of its programs. During the year, the Board approved a transfer of \$3,589 (2017- \$13,514).

Employee Development Fund

The Board of Directors has established a reserve fund to be used at their discretion for staff development and recognition.

Legacy Fund

The Board of Directors has established a reserve fund to be used to compensate the contributions made by leaders in the field of Health and Physical Education.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of 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 management's best estimates as additional information becomes available in the future.

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2018

1. Significant Accounting Policies (continued)

Allocation of Expenses

The Organization incurs salaries and benefits expenses and general and administrative support expenses that are common to the administration of the Organization and to each project that it operates. Salaries and benefits are allocated proportionately based on the percentage of time spent on that project. Overhead costs including salaries and benefits, and general and administrative support are allocated based on the percentage used on each project.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, short-term investments are reported at fair value, and all other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that the asset could be impaired. Transaction costs are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

2. Short-term Investments

Short-term investments consist of a one-year cashable Guaranteed Investment Certificate (GIC) of \$530,000 (2017 - \$530,000). The GIC earns interest at 1.525% (2017 - 0.70%) per annum and has a maturity date of March 9, 2019 (2017 - March 9, 2018). The GIC has been pledged as collateral for the credit facility (Note 7).

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 225,262	\$ 211,625	\$ 210,616	\$ 199,837
Furniture and office equipment	95,882	95,882	95,882	95,882
Leasehold improvements	61,995	61,995	61,995	61,386
Equipment under capital lease	20,073	13,382	20,073	6,691
	\$ 403,212	\$ 382,884	\$ 388,566	\$ 363,796
Net book value		\$ 20,328		\$ 24,770

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2018

4. Government Revenue and Expenditures

Detailed below are the government program revenue and expenditures for the year ended March 31, 2018; totals include committed revenue from 2016/2017 funding contracts where expenditures were incurred during the year ended March 31, 2018. The expenditures are included in projects on the statement of financial activities.

Funder	Program	Revenue	Expenditures
Service Contracts - Province of Ontario and Agencies			
Ministry of Education	CSBHSS	\$ 712,439	\$ 712,439
	Daily Physical Activity	250,483	250,483
	Healthy Relationships	145,171	145,171
	Healthy Schools Certification	216,137	216,137
	Medical Conditions	73,385	73,385
	Ontario Safety Guidelines	123,768	123,768
	Raise The Bar	45,260	45,260
	Sex Education by Theatre	285,961	285,961
Ministry of Health & Long Term Care	Asthma Education	156,600	156,600
	PARC	686,000	686,000
Ministry of Tourism, Culture & Sport	Cycling Education	182,000	182,000
	Healthy School Leadership Days	99,770	99,770
	Raise The Bar	54,017	54,017
Ministry of Status of Women	Sexual Violence Prevention	134,500	134,500
Service Contracts Total		\$ 3,165,491	\$ 3,165,491
Grants - Province of Ontario and Agencies			
Ontario Trillium Foundation	Provincial Sport Organizations Concussions	\$ 58,844	\$ 58,844
	Physical Activity Collective Impact	30,000	30,000
Grants - Government of Canada			
Ministry of Citizenship and Immigration	Canada Summer Jobs Grant	2,979	2,979
Grants Total		\$ 91,823	\$ 91,823
Government Total		\$ 3,257,314	\$ 3,257,314

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2018

5. Deferred Revenue

	2018	2017
Service contracts - government		
Ministry of Education	\$ 567,600	\$ 361,378
Ontario 150	-	89,793
Ontario Trillium Foundation	-	51,744
Service contracts - other	187,148	226,242
	\$ 754,748	\$ 729,157

6. Obligation Under Capital Lease

	2018	2017
Equipment Lease - bears interest at 4% per annum, repayable in monthly installments of \$871 of principal plus interest, due November 2018.	\$ 6,691	\$ 16,727
Less: current portion	(6,691)	(10,036)
	\$ -	\$ 6,691

The principal payments for 2019 are as follows:

2019	\$ 6,968
Less: imputed interest	(277)
Balance of obligation	\$ 6,691

Interest expense on the obligation for the year was \$417 (2017 - \$139). The obligation is secured by the equipment.

7. Credit Facility

The Organization has a credit facility of \$500,000 (2017 - \$500,000) of which \$Nil was utilized at March 31, 2018 (2017 - \$Nil). Borrowings under this facility are due on demand and bear interest at the bank's prime rate plus 2% (2017 - bank's prime rate plus 2%). The credit facility is secured against the Organization's short-term investments (Note 2).

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2018

8. Commitments

The Organization has lease commitments for office, common occupancy costs and equipment for which future repayments are as follows:

2019	\$	173,642
2020		190,679
2021		187,177
2022		<u>127,372</u>
	\$	<u>678,870</u>

9. Fund Expenditures

Legacy Fund expenditures relate to awards issued for leadership in physical and health education. These expenditures were approved by the Board of Directors.

10. Financial Instrument Risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk arising from its accounts receivables. Management believes this credit risk is minimized by the credit worthiness of its funders. This risk has not changed since the prior year.

Interest rate risk

Interest rate 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 Organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of short-term investments. This risk has not changed since the prior year.

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2018

11. Operating, Overhead and Executive Expense Allocations

During the year, certain operating, overhead and executive expenses are allocated to other expense categories based upon reasonable estimates of staff time or costs incurred.

	2018		2017						
	Office expenses	Salaries and benefits	Office expenses	Salaries and benefits					
Office and general	\$ 12,985	\$ -	\$ 9,834	\$ -					
Projects	246,684	1,788,012	186,836	2,024,210					
Staffing	-	94,106	-	95,549					
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="text-align: right;">\$ 259,669</td> <td style="text-align: right;">\$ 1,882,118</td> <td style="text-align: right;">\$ 196,670</td> <td style="text-align: right;">\$ 2,119,759</td> </tr> </table>					\$ 259,669	\$ 1,882,118	\$ 196,670	\$ 2,119,759
	\$ 259,669	\$ 1,882,118	\$ 196,670	\$ 2,119,759					

12. Active Healthy Kids Canada

As of September 14, 2017, the Organization no longer controls Active Healthy Kids Canada due to a change in the Board of Directors.