

**Ontario Physical and Health
Education Association
Financial Statements
For the year ended March 31, 2017**

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Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

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, 2017, 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 23, 2017

Ontario Physical and Health Education Association
Balance Sheet

March 31 **2017** **2016**

Assets

Current

Cash	\$ 1,068,607	\$ 1,357,703
Short-term investments (Note 2)	530,224	463,697
Accounts receivable	285,199	260,666
Prepaid expenses	58,107	33,477
	1,942,137	2,115,543

Capital assets (Note 3)

24,770	10,871
\$ 1,966,907	\$ 2,126,414

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities	\$ 228,819	\$ 213,139
Deferred revenue (Note 5)	729,157	985,149
Current portion of obligation under capital lease (Note 6)	10,036	-
	968,012	1,198,288

Obligation under capital lease (Note 6)

Rental inducement

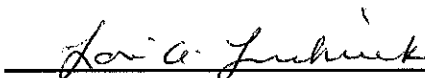
6,691	-
39,631	-
1,014,334	1,198,288

Fund Balances

Funds Invested in Capital Assets	8,043	10,871
Special Initiatives Fund	180,563	199,700
Emergency Contingency Fund	519,291	505,777
Employee Development Fund	50,426	50,426
Legacy Fund	4,114	5,734
General Fund	190,136	155,618
	952,573	928,126

\$ 1,966,907	\$ 2,126,414
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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	2017 Total	2016 Total
Balance, beginning of year \$	10,871	\$ 199,700	\$ 505,777	\$ 50,426	\$ 5,734	\$ 155,618	\$ 928,126	\$ 858,580
Excess of revenue over expenditures	-	-	-	-	-	24,447	24,447	69,546
Interfund transfer	-	(22,197)	-	-	(1,620)	23,817	-	-
Internally restricted transfers (Note 1)	-	34,750	13,514	-	-	(48,264)	-	-
Amortization of capital assets	(17,791)	-	-	-	-	17,791	-	-
Transfer for the purchase of capital assets	31,690	(31,690)	-	-	-	-	-	-
Capital lease proceeds	(20,073)	-	-	-	-	20,073	-	-
Capital lease obligation payments	3,346	-	-	-	-	(3,346)	-	-
Balance, end of year	\$ 8,043	\$ 180,563	\$ 519,291	\$ 50,426	\$ 4,114	\$ 190,136	\$ 952,573	\$ 928,126

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	2017	2016
Revenue		
Conference	\$ 182,036	\$ 178,141
Grants (Note 4)	19,029	5,824
Investment income	8,160	8,908
Merchandise sales and resource licensing revenue	91,507	90,696
Service contracts - government (Note 4)	2,893,054	2,976,925
Service contracts - other	748,206	412,371
Sponsorships	132,374	97,626
	<u>4,074,366</u>	<u>3,770,491</u>
Expenditures		
Amortization	17,791	10,622
Bad debts (recovery)	(4,656)	13,645
Board	20,093	36,166
Committees	6,344	11,455
Conference	180,183	173,118
Cost of sales	59,677	53,781
Marketing and communications	29,863	12,501
Office and general	11,764	9,834
Projects	3,605,214	3,283,976
Staffing	99,829	95,549
	<u>4,026,102</u>	<u>3,700,647</u>
Operating surplus before undernoted items	48,264	69,844
Less: Special Initiatives Fund expenditures (Note 9)	22,197	-
Less: Legacy Fund expenditures (Note 9)	1,620	298
	<u>24,447</u>	<u>69,546</u>
Excess of revenue over expenditures for the year	\$ 24,447	\$ 69,546

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	2017	2016
Cash was provided by (used in)		
Operating activities		
Excess of revenue over expenditures	\$ 24,447	\$ 69,546
Adjustments required to reconcile excess of revenue over expenditures to net cash provided by operating activities		
Amortization of capital assets	17,791	10,622
Changes in non-cash operating balances		
Accounts receivable	(24,533)	90,229
Prepaid expenses	(24,630)	20,707
Accounts payable and accrued liabilities	15,680	36,531
Deferred revenue	(255,992)	658,053
Rental inducement	39,631	-
	(207,606)	885,688
Investing activities		
Purchase of capital assets	(11,617)	(9,099)
Purchase of short term investments	(66,527)	(463,697)
	(78,144)	(472,796)
Financing activity		
Payment of capital lease obligation	(3,346)	-
	(3,346)	-
Increase (decrease) in cash during the year	(289,096)	412,892
Cash, beginning of year	1,357,703	944,811
Cash, end of year	\$ 1,068,607	\$ 1,357,703

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

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2017

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 Canada Revenue Agency to operate 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, 2017

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 \$31,690 (2016 - \$9,099).

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 \$34,750 (2016 - \$32,186).

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 \$13,514 (2016 - \$47,480).

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. During the year, the Board approved a transfer of \$Nil (2016 - \$800).

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations require 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, 2017

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 (2016 - \$463,697). The GIC earns interest at 0.70% (2016 - 0.65%) per annum and has a maturity date of March 9, 2018 (2016 - March 10, 2017). The GIC has been pledged as collateral for the credit facility (Note 7).

3. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 210,616	\$ 199,837	\$ 198,997	\$ 189,345
Furniture and office equipment	95,882	95,882	95,882	95,882
Leasehold improvements	61,995	61,386	61,995	60,776
Equipment under capital lease	20,073	6,691	-	-
	\$ 388,566	\$ 363,796	\$ 356,874	\$ 346,003
Net book value		\$ 24,770		\$ 10,871

During the year, the Organization purchased capital assets of \$31,690 (2016 - \$9,099). Of this amount, \$20,073 (2016 - \$Nil), were purchased by means of capital leases and \$11,617 (2016 - \$9,099) was paid for in cash.

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2017

4. Government Revenue and Expenditures

Detailed below are the government program revenue and expenditures for the year ended March 31, 2017; totals include committed revenue from 2015/2016 funding contracts where expenditures were incurred during the year ended March 31, 2017. The expenditures are included in projects on the statement of financial activities.

Funder	Program	Revenue	Expenditures
Service Contracts - Province of Ontario Agencies			
Ministry of Education	CSBHRC	\$ 775,000	\$ 775,000
	H&PE Capacity Building	250,000	250,000
	H&PE Secondary Curriculum Support	139,673	139,673
	H&PE Secondary FLS Support	10,000	10,000
	Healthy Relationships	199,462	199,462
	Healthy Schools Certification	197,521	197,521
	Internet Safety	55,398	55,398
	Ontario Safety Guidelines Resources for Safe and Inclusive Schools	174,606	174,606
	Sex Education by Theatre	664	664
			38,130
Ministry of Health & Long Term Care	Asthma Education	156,600	156,600
	PARC	686,000	686,000
Ontario Women's Directorate	Sexual Violence Prevention	130,000	130,000
Total		\$ 2,813,054	\$ 2,813,054
Service Contracts - Government of Canada			
Public Health Agency of Canada	School Safety National	80,000	80,000
Service Contracts Total		\$ 2,893,054	\$ 2,893,054
Grants - Province of Ontario and Agencies			
Ontario Trillium Foundation	Provincial Sport Organizations Concussions	12,656	12,656
Grants - Government of Canada			
Employment & Social Development Canada	Canada Summer Jobs Grant	6,373	6,373
Grants Total		19,029	19,029
Government Total		\$ 2,912,083	\$ 2,912,083

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2017

5. Deferred Revenue

	2017	2016
Service contracts - government		
Ministry of Education	\$ 361,378	\$ 453,428
Ontario 150	89,793	-
Ontario Trillium Foundation	51,744	-
Service contracts - other	226,242	531,721
	\$ 729,157	\$ 985,149

6. Obligation Under Capital Lease

	2017	2016
Equipment Lease - bears interest at 4% per annum, repayable in monthly installments of \$871 of principal plus interest, due November 2018.	\$ 16,727	\$ -
Less: current portion	(10,036)	-
	\$ 6,691	\$ -

The principal payments for the next two years are as follows:

2018		\$ 10,453
2019		6,968
Net minimum lease payments		17,421
Less: imputed interest		(694)
Balance of obligation		\$ 16,727

Interest expense on the obligation for the year was \$139 (2016 - \$Nil). The obligation is secured by the equipment.

7. Credit Facility

The Organization has a credit facility of \$500,000 (2016 - \$500,000) of which \$Nil was utilized at March 31, 2017 (2016 - \$Nil). Borrowings under this facility are due on demand and bear interest at the bank's prime rate plus 2% (2016 - 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, 2017

8. Commitments

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

2018	\$	136,473
2019		170,022
2020		187,059
2021		185,367
2022		127,372
		<hr/>
	\$	<u>806,293</u>

9. Fund Expenditures

Special Initiatives Fund expenditures for the year ended March 31, 2017 relate to operating expenses for social media strategy. These expenditures were approved by the Board of Directors.

Legacy Fund expenditures for the year ended March 31, 2017 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, 2017

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.

	Office expenses	Salaries and benefits
Office and general	\$ 11,764	\$ -
Projects	223,498	1,896,748
Staffing	-	99,829
	<u>\$ 235,262</u>	<u>\$ 1,996,577</u>

12. Active Healthy Kids Canada (AHKC)

The Organization controls Active Healthy Kids Canada through common members of the Board of Directors. The Organization does not consolidate the financial statements of AHKC. AHKC is a national charitable organization established to inspire the nation to engage all children and youth in physical activity. The financial position of the entity's most recent financial statements are as at June 30, 2016 which reflects assets of \$7,893 (2015 - \$11,678), liabilities of \$4,490 (2015 - \$8,150), and net assets of \$3,403 (2015 - \$3,528). The results of operations of AHKC for the year ended June 30, 2016 are total revenue of \$5,200 (2015 - \$171,027), total expenses of \$5,325 (2015 - \$281,095), and deficiency of revenues over expenditures of \$125 (2015 - \$110,068). Cash outflows from operating activities are \$3,079 (2015 - \$125,883).

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.