

**Ontario Physical and Health
Education Association
Financial Statements
For the year ended March 31, 2020**

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Independent Auditor's Report

To the Board of Directors of Ontario Physical and Health Education Association

Opinion

We have audited the financial statements of Ontario Physical and Health Education Association (the "Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of changes in fund balances, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, 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. 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 Organization 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Organization'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 Organization'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 Organization 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 23, 2020

Ontario Physical and Health Education Association
Statement of Financial Position

March 31 **2020** **2019**

Assets

Current

Cash	\$ 301,051	\$ 648,482
Short-term investments (Note 2)	530,299	530,487
Accounts receivable	417,292	272,312
Prepaid expenses	29,689	35,070
	1,278,331	1,486,351

Capital assets (Note 3)	26,086	4,607
	\$ 1,304,417	\$ 1,490,958

Liabilities and Fund Balances

Current

Accounts payable and accrued liabilities	\$ 223,142	\$ 206,039
Deferred revenue (Note 5)	245,415	240,195
	468,557	446,234

Rental inducement	4,089	-
	472,646	446,234

Fund Balances

Funds Invested in Capital Assets	26,086	4,607
Special Initiatives Fund	174,071	302,315
Emergency Contingency Fund	526,470	526,470
Legacy Fund	1,614	3,114
General Fund	103,530	208,218
	831,771	1,044,724

	\$ 1,304,417	\$ 1,490,958
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On behalf of the Board:


 _____ President


 _____ Executive Director

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	Legacy Fund	General Fund	2020 Total	2019 Total
Balance, beginning of year	\$ 4,607	\$ 302,315	\$ 526,470	\$ 3,114	\$ 208,218	\$ 1,044,724	\$ 1,023,855
Excess (deficiency) of revenue over expenditures	-	-	-	-	(212,953)	(212,953)	20,869
Interfund transfer	-	(91,945)	-	(1,500)	93,445	-	-
Amortization of capital assets	(14,820)	-	-	-	14,820	-	-
Transfer for the purchase of capital assets	36,299	(36,299)	-	-	-	-	-
Balance, end of year	\$ 26,086	\$ 174,071	\$ 526,470	\$ 1,614	\$ 103,530	\$ 831,771	\$ 1,044,724

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

Ontario Physical and Health Education Association Statement of Operations

For the year ended March 31	2020	2019
Revenue		
Conference	\$ 2,625	\$ 149,797
Donations	8,087	3,434
Grants	10,464	7,397
Investment income	13,845	17,534
Merchandise sales and resource licensing revenue	99,693	265,147
Service contracts - government (Note 4)	1,349,826	2,740,727
Service contracts - other	545,822	190,049
Sponsorships	189,820	189,632
	<u>2,220,182</u>	<u>3,563,717</u>
Expenditures		
Amortization	14,820	15,026
Board	9,745	7,213
Committees	2,500	4,004
Conference	2,071	135,867
Cost of sales	43,304	169,352
Marketing and communications	59,409	44,468
Office and general	11,562	13,955
Projects	2,131,338	3,068,321
Staffing	64,941	100,606
Rental inducement recovery	-	(66,890)
	<u>2,339,690</u>	<u>3,491,922</u>
Operating surplus (deficiency) before undernoted items	(119,508)	71,795
Less: Employee Development Fund expenditures (Note 8)	-	50,426
Less: Special Initiatives Fund expenditures (Note 8)	91,945	-
Less: Legacy Fund expenditures (Note 8)	1,500	500
	<u> </u>	<u> </u>
Excess (deficiency) of revenue over expenditures for the year	\$ (212,953)	\$ 20,869

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	2020	2019
Cash was provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ (212,953)	\$ 20,869
Loss on disposal of capital assets	-	695
Adjustments required to reconcile excess (deficiency) of revenue over expenditures to net cash provided by operating activities		
Amortization of capital assets	14,820	15,026
Changes in non-cash operating balances		
Accounts receivable	(144,980)	54,476
Prepaid expenses	5,381	19,795
Accounts payable and accrued liabilities	17,103	(49,127)
Deferred revenue	5,220	(514,553)
Rental inducement	4,089	(71,739)
	(311,320)	(524,558)
Investing activities		
Purchase of capital assets	(36,299)	-
Redemption of short-term investments	188	-
	(36,111)	-
Financing activity		
Payment of capital lease obligation	-	(6,691)
Decrease in cash during the year	(347,431)	(531,249)
Cash, beginning of year	648,482	1,179,731
Cash, end of year	\$ 301,051	\$ 648,482

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

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2020

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 contributions.

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

Restricted revenue 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, 2020

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 \$36,299 (2019 - \$Nil).

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 \$91,945 to be transferred out of the fund (2019 - \$68,205 transferred into the fund).

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, there were no transfers (2019 - \$3,590).

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. \$1,500 (2019 - \$500) was expended from the fund during the year.

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 expenditures 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, 2020

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

All financial instruments are initially recognized at fair value and subsequently at amortized cost. 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 statement of financial position 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 (2019 - \$530,000). The GIC earns interest at 0.895% (2019 - 1.670%) per annum and has a maturity date of March 9, 2021 (2019 - March 7, 2020). The GIC has been pledged as collateral for the credit facility (Note 6).

3. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 85,353	\$ 80,823	\$ 78,774	\$ 80,858
Furniture and office equipment	33,048	21,946	88,525	88,525
Leasehold improvements	13,067	2,613	-	-
Equipment under capital lease	20,073	20,073	20,073	13,382
	\$ 151,541	\$ 125,455	\$ 187,372	\$ 182,765
Net book value		\$ 26,086		\$ 4,607

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2020

4. Government Revenue and Expenditures

Detailed below are the government program revenue and expenditures for the year ended March 31, 2020; totals include committed revenue from 2018/2019 and prior year funding contracts where expenditures were incurred during the year ended March 31, 2020. The expenditures are included in projects on the statement of operations.

Funder	Program	Revenue	Expenditures
Service Contracts - Province of Ontario and Agencies			
Ministry of Education	Cannabis Discussion Guide	\$ 5,250	\$ 5,250
	Cannabis Ideas for Action	39,017	39,017
	H&PE Implementation	37,348	37,348
	Healthy Eating Resources	96,477	96,477
	Ontario Safety Standards	319,111	319,111
	Outdoor Education French	91,150	91,150
	Outdoor Education Secondary	35,000	35,000
	Raise the Bar	43,541	43,541
	Student Online Learning	8,772	8,772
Ministry of Francophone Affairs	Food Literacy French	11,690	11,690
Ministry of Health & Long Term Care	Asthma Education	156,600	156,600
Ministry of Tourism, Culture & Sport	Raise The Bar	1,903	1,903
Ministry of Women Issues	Sexual Violence Prevention	192,500	192,500
Total		\$ 1,038,359	\$ 1,038,359
Service Contracts - Government of Canada			
Health Canada	Cannabis Education	311,467	311,467
Service Contracts Total		\$ 1,349,826	\$ 1,349,826
Grants - Province of Ontario and Agencies			
Ministry of Tourism, Culture and Sport	Summer Student	\$ 3,658	\$ 3,658
Grants - Government of Canada			
Employment & Social Development Canada	Canada Summer Jobs Grant	4,396	4,396
Grants Total		\$ 8,054	\$ 8,054
Government Total		\$ 1,357,880	\$ 1,357,880

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2020

5. Deferred Revenue

	2020	2019
Service contracts - government		
Ministry of Education	\$ 94,471	\$ 144,332
Ministry of Francophone Affairs	2,790	-
Ministry of Tourism, Culture & Sport	-	1,903
Service contracts - other	148,154	93,960
	\$ 245,415	\$ 240,195

6. Credit Facility

The Organization has a credit facility of \$550,000 (2019 - \$550,000) of which \$Nil was utilized at March 31, 2020 (2019 - \$Nil). Borrowings under this facility are due on demand and bear interest at the bank's prime rate plus 2% (2019 - bank's prime rate plus 2%). The credit facility is secured against the Organization's short-term investments (Note 2) as well as a general security agreement covering all assets of the Organization.

7. Commitments

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

2021	\$	105,854
2022		105,891
2023		99,083
2024		100,186
2025		102,100
Thereafter		8,587
	\$	521,701

8. Fund Expenditures

Special Initiative Fund expenditures for the year ended March 31, 2020 relate to operating expenses and internal staff time for Web Platform Re-Development and other core initiatives. These expenditures were approved by the Board of Directors.

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

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2020

9. 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 receivable. 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.

10. 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.

	2020		2019	
	Office expenses	Salaries and benefits	Office expenses	Salaries and benefits
Office and general	\$ 11,562	\$ -	\$ 13,955	\$ -
Projects	201,039	1,233,886	249,510	1,970,997
Staffing	-	64,941	-	100,606
	\$ 212,601	\$ 1,298,827	\$ 263,465	\$ 2,071,603

Ontario Physical and Health Education Association

Notes to Financial Statements

March 31, 2020

11. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout Canada and around the world. On March 24, 2020, the Province of Ontario ordered the closure of non-essential businesses.

On March 12, 2020 the Province of Ontario announced the closure of all publicly funded schools for two weeks following March break and they remain closed to the date of the auditor's report. The Organization expects there to be possible reduced funding and delays in the completion of projects, which may affect revenues and increase costs. In addition, if the impacts of COVID-19 continue, there could be further impact on the Organization and its ability to offer its programs.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management is actively monitoring the situation and the impact on its financial condition, liquidity, operations, suppliers, sector, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.