

Financial Statements of

**PACIFIC INSTITUTE FOR SPORT
EXCELLENCE SOCIETY**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of Pacific Institute for Sport Excellence Society

Report on the Financial Statements

We have audited the accompanying financial statements of Pacific Institute for Sport Excellence Society, which comprise the statement of financial position as at March 31, 2018, the statement of operations and changes in fund balances (deficits) and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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, these financial statements present fairly, in all material respects, the financial position of Pacific Institute for Sport Excellence Society as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting principles applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Professional Accountants

Victoria, Canada
September 26, 2018

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	Operating Fund	Capital Fund	2018 Total	2017 Total
Assets				
Current assets:				
Cash	\$ 48,000	\$ -	\$ 48,000	\$ 50,446
Accounts receivable	159,996	-	159,996	157,366
Inventories	16,157	-	16,157	17,292
Prepaid expenses	4,295	-	4,295	37,623
	228,448	-	228,448	262,727
Capital assets (note 2)	-	23,147,216	23,147,216	23,891,575
	\$ 228,448	\$ 23,147,216	\$ 23,375,664	\$ 24,154,302

Liabilities and Fund Balances (Deficits)

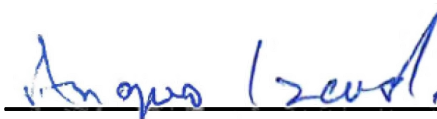
Current liabilities:				
Bank indebtedness (note 3)	\$ 93,502	\$ -	\$ 93,502	\$ 137,501
Accounts payable and accrued liabilities (note 4)	112,631	-	112,631	122,082
Deferred contributions (note 5)	72,644	-	72,644	44,310
Deferred revenue	142,099	-	142,099	183,484
Obligation under capital leases - current portion (note 6)	-	2,818	2,818	-
Term loan (note 9)	-	-	-	61,266
	420,876	2,818	423,694	548,643
Obligations under capital leases (note 6)	-	13,352	13,352	-
Deferred capital contributions (note 11)	-	22,948,941	22,948,941	23,744,916
Fund balances (deficit):				
Unrestricted	(192,428)	182,105	(10,323)	(139,257)
Related organization (note 11)				
	\$ 228,448	\$ 23,147,216	\$ 23,375,664	\$ 24,154,302

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Statement of Operations and Changes in Fund Balances (Deficits)

Year ended March 31, 2018, with comparative information for 2017

	Operating Fund	Capital Fund	2018 Total	2017 Total
Revenues:				
Lease revenue (note 11)	\$ 987,764	\$ -	\$ 987,764	\$ 986,033
Amortization of deferred capital contributions	-	804,475	804,475	803,625
Membership and program fees	974,336	-	974,336	802,561
Grant revenue (note 7)	319,629	-	319,629	388,636
Sponsorships (note 8)	72,072	-	72,072	66,476
Rental revenue	157,321	-	157,321	176,992
Other revenue	35,667	-	35,667	13,167
Donation revenue	18,211	-	18,211	-
	2,565,000	804,475	3,369,475	3,237,490
Expenses:				
Wages and benefits	1,425,816	-	1,425,816	1,496,265
Amortization	-	818,766	818,766	817,911
Facility operation costs	547,417	-	547,417	545,774
General and administrative	147,630	-	147,630	144,503
Marketing	84,875	-	84,875	94,342
Fundraising expenses	143,202	-	143,202	-
Program miscellaneous	44,510	-	44,510	45,123
Professional fees	28,325	-	28,325	32,625
Commonwealth legacy subcontracts	-	-	-	33,333
Consulting fees	-	-	-	20,690
	2,421,775	818,766	3,240,541	3,230,566
Excess (deficiency) of revenues over expenses	143,225	(14,291)	128,934	6,924
Fund balances (deficit), beginning of year	(224,651)	85,394	(139,257)	(146,181)
Transfers related to debt and capital asset purchases	(111,002)	111,002	-	-
Fund balances (deficit), end of year	\$ (192,428)	\$ 182,105	\$ (10,323)	\$ (139,257)

See accompanying notes to financial statements.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 128,934	\$ 6,924
Items not involving cash:		
Amortization of deferred capital contribution	(804,475)	(803,625)
Amortization of capital assets	818,766	817,911
Loss on disposal of capital assets	1,191	-
	<u>144,416</u>	<u>21,210</u>
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(2,630)	48,737
Decrease (increase) in inventories	1,135	(849)
Decrease (increase) in prepaid expenses	33,328	(35,161)
Decrease in accounts payable and accrued liabilities	(9,451)	(81,271)
Increase in deferred contributions	28,334	44,310
Decrease in deferred revenue	(41,385)	(60,970)
	<u>153,747</u>	<u>(63,994)</u>
Financing:		
Increase (decrease) in bank indebtedness	(43,999)	7,642
Increase (decrease) in term loan	(61,266)	61,266
Increase in obligations under capital lease	16,170	-
Increase in deferred capital contributions	8,500	334,212
	<u>(80,595)</u>	<u>403,120</u>
Investments:		
Proceeds from disposal of capital assets	5,680	-
Addition to capital assets	(81,278)	(896,932)
	<u>(75,598)</u>	<u>(896,932)</u>
Decrease in cash	(2,446)	(557,806)
Cash, beginning of year	50,446	608,252
Cash, end of year	<u>\$ 48,000</u>	<u>\$ 50,446</u>

See accompanying notes to financial statements.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements

Year ended March 31, 2018

Pacific Institute for Sport Excellence Society (the "Society" or the "Institute") was incorporated under the Society Act, British Columbia on April 10, 2006. On April 1, 2017, the Society obtained registration as a charitable organization with Canada Revenue Agency. The Society has three founding members: Camosun College (the "College"), Canadian Sport Institute ("CSI"), and PacificSport Victoria ("PSV"). The Institute commenced active operations in August 2008.

On November 28, 2016, the new Societies Act (British Columbia) became effective. The Society transitioned to the new act as of September 26, 2017.

1. Significant accounting policies:

The financial statements of the Society have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Fund accounting:

Revenues, donations and expenses related to facility rental, program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the property and equipment.

(b) Revenue recognition:

The Society follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which related expenses are incurred. 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.

Contributions for capital assets that will be amortized are initially deferred and subsequently recognized as revenue on the same basis as the related costs are amortized. Contributions for capital assets that will not be amortized, such as land, are not recorded as deferred capital contributions or recognized as revenue, but are recorded as a direct increase in net assets in the period the contribution is received.

Membership revenue is recognized on a proportionate basis over the term of the membership. Program revenue is recognized upon delivery of the program. Rental revenue is earned from other organizations who access the Society's facilities on a short-term basis. Amounts received for future services are deferred until the service is provided.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Lease revenue includes rent earned from tenants under long term lease agreements, percentage rent and operating costs recoveries and other incidental income and is recognized as revenue over the term of the underlying leases. All rent steps in lease agreements are accounted for on a straight-line basis over the term of the respective leases. Percentage rent is not recognized until a tenant's actual sales reach the sales threshold as set out in the tenant's lease.

Revenue from the sale of goods is recognized when the goods are delivered and the customer takes ownership and assumes risk of loss in accordance with customer contracts, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

(c) Contributed materials and services:

Donated materials and services are recognized in the financial statements when a fair value can be reasonably established, the materials and services are used in the normal course of operations and would otherwise have been purchased.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value and all changes in the fair value are recognized in the statement of operations in the period incurred. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Society has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Society determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Society expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(e) Inventory:

Inventories are valued at the lower of average cost and net realizable value.

(f) Capital assets:

Capital assets are recorded at cost other than donated assets, which are recorded at their estimated fair market value upon receipt. Incremental interest incurred during the construction of capital assets is included in the cost of the asset.

The following assets are amortized on a straight-line basis over their estimated useful lives at the following annual rates:

Asset	Rate
Building	54 years
Furniture and equipment	10 years
Furniture and equipment under capital lease	4.5 years
Sports facilities - outside	10-20 years
Computer	3 years
Signage	10 years

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to estimates include the amortization period of capital assets. Actual results could differ from those estimates.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Building	\$ 31,717	\$ 4,464	\$ 27,253	\$ 27,841
Furniture and equipment	697,824	579,702	118,122	155,092
Sports facilities - outside	1,626,714	315,462	1,311,252	1,395,479
Computer	83,835	61,262	22,573	3,845
Signage	29,870	19,165	10,705	13,091
Furniture and equipment under capital leases	17,033	315	16,718	-
	2,486,993	980,370	1,506,623	1,595,348
Assets under long-term capital lease (note 11):				
Building	26,223,640	4,653,887	21,569,753	22,055,376
Furniture and equipment	1,135,279	1,087,975	47,304	160,831
Sports facilities - outside	564,841	541,305	23,536	80,020
Computer	116,607	116,607	-	-
	28,040,367	6,399,774	21,640,593	22,296,227
	\$ 30,527,360	\$ 7,380,144	\$ 23,147,216	\$ 23,891,575

3. Bank indebtedness:

The Society maintains a revolving line of credit with a financial institution which is due on demand, bears interest at 1% above the prime lending rate (2017 - 1% above the prime lending rate) and is secured by a general security agreement. The line of credit has a maximum balance of \$200,000. As at March 31, 2018, \$93,502 has been drawn (2017 - \$137,501).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$12,836 (2017 - \$14,504), which includes amounts payable for GST, payroll deductions and workers' compensation premiums.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Deferred contributions:

Deferred contributions are externally restricted funding to be utilized for various programs. These contributions have been deferred until the related expenses are incurred.

	2018	2017
Grants	\$ 59,412	\$ 41,524
Charitable donations	7,654	-
Sponsorships	5,578	2,786
	\$ 72,644	\$ 44,310

Deferred contributions include \$23,700 which is held as restricted cash.

6. Obligations under capital lease:

The Society has entered into a capital lease for acquisition of fitness equipment, expiring in August 2022. Total annual minimum lease payments are listed below:

2019	\$	5,178
2020		5,178
2021		5,178
2022		5,178
2023		1,727
Total minimum lease payments		22,439
Less amount representing interest (rate of 4.45%)		6,269
Present value of net minimum capital lease payments		16,170
Current portion of obligations under capital lease		2,818
Long term portion of obligations under capital lease	\$	13,352

No interest expense was incurred during the year.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Grant revenue:

Grant revenue consists of funding from the following organizations:

	2018	2017
Via Sport	\$ 103,643	\$ 108,956
PacificSport Victoria	99,000	155,660
Foundations	64,525	52,025
Other	52,461	71,995
	<u>\$ 319,629</u>	<u>\$ 388,636</u>

8. Contributed materials and services:

During fiscal 2018, the Society recognized \$46,744 (2017 - \$31,833) of contributed services consisting of print and radio advertisement and donations in kind. These amounts are recognized within sponsorships and donations revenue.

9. Term loan:

In September 2016, the Society obtained a one year loan to assist in the financing of the track project. The initial loan amount was \$300,000 and bears interest at prime plus 1%. The Society paid the balance of the loan outstanding on August 1, 2017.

10. Deferred capital contributions:

Deferred capital contributions include unamortized portions of capital contributions and unspent contributions restricted for capital purposes. The changes for the year are as follows:

	2018	2017
Deferred capital contributions, beginning of year	\$ 23,744,916	\$ 24,214,329
Contributions for gym floor and fitness equipment	8,500	-
Contributions for track improvements	-	334,212
	<u>23,753,416</u>	<u>24,548,541</u>
Less amortization recognized as revenue	804,475	803,625
Deferred capital contributions, end of year	<u>\$ 22,948,941</u>	<u>\$ 23,744,916</u>

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Related organization:

The Society's facilities, located at the Camosun College Interurban campus, were completed in September 2008 at which time the College signed a long term lease and license agreement with the Society under which the Society will operate the facility for a 25 year term with a 29 year extension option at an annual rent of \$1 per year. As it is anticipated that the Society will utilize the premises for the economic life of the building, the lease has been treated as a contribution of the facilities from Camosun College to the Society at its estimated fair market value of \$26,223,640. Furnishings within the facility, which include furniture and equipment and computer equipment, have been treated as a part of the lease and recorded at its estimated fair market value of \$1,251,886. The sports field has also been treated as part of the lease and recorded at its estimated fair market value of \$564,841.

At the same time, the Society signed a long term sub lease with the College under similar terms under which the College will operate its sport education programs, recreation and athletics programs and applied research activities. The College has signed a five year addendum effective April 1, 2015 to their Sublease Agreement (expiring in 2033) for 21,906 square feet of dedicated space at an annual cost of \$595,000 in the first year, increasing incrementally annually to a total of \$598,084 in 2019. During fiscal 2018, the Society earned \$597,000 (2017 - \$596,000) in lease revenue from the College. In addition, the Society paid \$325,889 (2017 - \$325,035) in facility maintenance and security expenses to the College.

Under the current bylaws of the Society, Camosun College appoints two directors to the Society's board of directors.

12. Foundation Endowment Funds:

(a) PISE Healthy Active Communities Fund:

In 2017, the Society transferred \$7,500 to the Victoria Foundation to create an endowment fund, the PISE Healthy Active Communities Fund, to be held and managed in perpetuity by the Victoria Foundation. These funds were matched by the Victoria Foundation. The fund market value as at March 31, 2018 is \$15,390. During the year no distributions were received from the fund. Future distributions from the fund by the Victoria Foundation will be made in consultation with the Society and recorded as revenue.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Foundation Endowment Funds (continued):

(b) PISE Sport and Physical Activity Award Fund:

In 2017, the PISE Sport and Physical Activity Award Fund was established at the Victoria Foundation and, in accordance with the provisions of the Victoria Foundation Act, the Fund is held permanently by the Victoria Foundation. The donors, Liz Ashton and Carl Eriksen, held this award fund with the Victoria Foundation since October 1, 2013 and once PISE became a charitable organization, they named the Society as the beneficiary of the fund, responsible for distributing proceeds of the fund to award recipients. The purpose of the fund is to help youth realize their dreams in sport through the Society. The award may be given to a high performance athlete or group.

The market value of the fund as at March 31, 2018 was \$34,490. Distributions received from the fund during the year totaled \$1,000 and were awarded as bursaries.

13. Financial risks and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Society will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Society manages its liquidity risk by monitoring its operating requirements. The Society prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Interest rate risk:

The Society is charged a variable rate of interest on its bank indebtedness and term loan and accordingly is subject to interest rate risk.

(c) Currency risk:

It is management's opinion that the Society is not exposed to significant foreign exchange risk.

(d) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Society is exposed to credit risk with respect to the accounts receivable. The Society assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible.

There has been no change to the risk exposures from 2017.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2018

14. Comparative information:

Certain comparative information have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess (deficiency) of revenues over expenses.

15. Remuneration of directors, employees and contractors:

The BC Societies Act came into effect on November 28, 2016. The Act has a requirement for the disclosure in the financial statements of the remuneration of directors, employees and contractors for financial statements prepared after November 28, 2016. For employee and contractor remuneration the requirement is to disclose amounts paid to individuals whose remuneration was greater than \$75,000. For the fiscal year ending March 31, 2018, the Society paid total remuneration of \$180,258 (2017 - \$182,122) to one employee who received total annual remuneration of \$75,000 or greater. No remuneration was paid to any Director and no remuneration of \$75,000 or greater was paid to any contractor (2017 - nil).