Financial Statements of

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

And Independent Auditors' Report thereon

Year ended March 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Members of Pacific Institute for Sport Excellence Society

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pacific Institute for Sport Excellence Society (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, 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.

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 ***“Auditors’ Responsibilities for the Audit of the Financial Statements”*** section of our auditors’ report.

We are independent of the Entity 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 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 the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the financial statements.

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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

Report on Other Legal and Regulatory Requirements

As required by the Societies Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting 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 29, 2021

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	Operating Fund	Capital Fund	2021 Total	2020 Total
Assets				
Current assets:				
Cash	$ 490,966	$ 1,000,000	$ 1,490,966	$ 346,752
Accounts receivable	159,230	75,000	234,230	241,519
Inventories	14,581	-	14,581	16,456
Prepaid expenses and deposits	9,379	-	9,379	140,736
	674,156	1,075,000	1,749,156	745,463
Capital assets (note 2)	-	22,132,780	22,132,780	21,914,377
	$ 674,156	$ 23,207,780	$ 23,881,936	$ 22,659,840
Liabilities and Fund Balances				
Current liabilities:				
Bank indebtedness (note 3)	$ -	$ -	$ -	$ 75,071
Accounts payable and accrued liabilities (note 4)	218,238	-	218,238	128,506
Deferred contributions (note 5)	170,142	-	170,142	213,455
Deferred revenue	166,261	-	166,261	146,424
Loan payable (note 14)	30,000	-	30,000	-
Obligation under capital leases - current portion (note 6)	-	4,519	4,519	3,862
	584,641	4,519	589,160	567,318
Obligations under capital leases (note 6)	-	1,670	1,670	6,189
Deferred capital contributions (note 9)	-	23,000,336	23,000,336	22,069,949
Fund balances:				
Unrestricted	89,515	201,255	290,770	16,384
Related organization (note 10)				
	$ 674,156	$ 23,207,780	$ 23,881,936	$ 22,659,840

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Statement of Operations and Retained Earnings

Year ended March 31, 2021, with comparative information for 2020

	Operating Fund	Capital Fund	2021 Total	2020 Total
Revenue:				
Lease revenue (note 10)	$ 1,038,774	$ -	$ 1,038,774	$ 1,069,932
Membership and program fees	405,188	-	405,188	806,844
Amortization of deferred capital contributions	-	611,193	611,193	588,990
Grant revenue (note 7)	370,484	-	370,484	376,884
Rental revenue	107,030	-	107,030	159,758
Sponsorships (note 8)	29,454	-	29,454	75,060
Other revenue	7,450	-	7,450	31,429
Government assistance (note 14)	409,483	-	409,483	-
Donation revenue	135,625	-	135,625	23,268
	2,503,488	611,193	3,114,681	3,132,165
Expenses:				
Wages and benefits	1,298,392	-	1,298,392	1,452,741
Amortization	-	618,383	618,383	690,403
Facility operation costs	549,614	-	549,614	584,996
Fundraising expenses	137,451	-	137,451	151,052
General and administrative	110,876	-	110,876	120,970
Marketing	29,862	-	29,862	77,524
Program miscellaneous	73,235	-	73,235	42,569
Professional fees	22,482	-	22,482	17,212
Consulting fees	-	-	-	7,100
	2,221,912	618,383	2,840,295	3,144,567
Excess (deficiency) of revenues over expenses	281,576	(7,190)	274,386	(12,402)
Fund balances, beginning of year	(117,921)	134,305	16,384	28,786
Transfers related to debt and capital asset purchases	(74,140)	74,140	-	-
Fund balances, end of year	$ 89,515	$ 201,255	$ 290,770	$ 16,384

See accompanying notes to financial statements.

PACIFIC INSTITUTE FOR SPORT EXCELLENCE SOCIETY

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	$ 274,386	$ (12,402)
Items not involving cash:		
Amortization of deferred capital contribution	(611,193)	(588,990)
Amortization of capital assets	618,383	690,403
	281,576	89,011
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable	7,289	(68,160)
Decrease (increase) in inventories	1,875	(137)
Decrease (increase) in prepaid expenses and deposits	1,129	(4,820)
Increase (decrease) in accounts payable and accrued liabilities	89,732	(27,046)
Increase (decrease) in deferred contributions	(43,313)	140,771
Increase (decrease) in deferred revenue	19,837	(12,385)
	358,125	117,234
Financing:		
Increase (decrease) in bank indebtedness	(75,071)	75,071
Increase in loan payable	30,000	-
Decrease in obligations under capital lease	(3,862)	(3,301)
Deferred capital contributions received	1,541,580	328,617
	1,492,647	400,387
Investments:		
Purchases of capital assets	(836,786)	(127,986)
Decrease (increase) in deposits for future capital additions	130,228	(130,228)
	(706,558)	(258,214)
Increase in cash	1,144,214	259,407
Cash, beginning of year	346,752	87,345
Cash, end of year	$ 1,490,966	$ 346,752

See accompanying notes to financial statements.

Pacific Institute for Sport Excellence Society (the "Society" or the "Institute") was incorporated on April 10, 2006. The Society is registered under the Societies Act (British Columbia). 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.

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.

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.

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
Building improvements	10-20 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.

2. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Building improvements	$ 900,503	$ 30,470	$ 870,033	$ 80,438
Furniture and equipment	829,179	752,129	77,050	37,269
Sports facilities - outside	1,626,714	566,194	1,060,520	1,142,978
Construction in progress	-	-	-	30,948
Computer	87,847	82,322	5,525	10,359
Signage	29,870	28,374	1,496	4,731
Furniture and equipment under capital leases	17,033	11,761	5,272	9,147
	3,491,146	1,471,250	2,019,896	1,315,870
Assets under long-term capital lease (note 10):				
Building	26,223,640	6,110,756	20,112,884	20,598,507
Furniture and equipment	1,135,279	1,135,279	-	-
Sports facilities - outside	564,841	564,841	-	-
Computer	116,607	116,607	-	-
	28,040,367	7,927,483	20,112,884	20,598,507
	$ 31,531,513	$ 9,398,733	$ 22,132,780	$ 21,914,377

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 (2020 - 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, 2021, $nil has been drawn (2020 - $75,071).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $12,377 (2020 - $4,921), which includes amounts payable for GST, payroll deductions and workers' compensation premiums.

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.

5. Deferred contributions (continued):

	2021	2020
Grants	$ 149,225	$ 157,175
Charitable donations	2,600	21,600
Sponsorships	18,317	34,680
	$ 170,142	$ 213,455

Deferred contributions include $35,023 (2020 - $34,500) 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:

2022	$ 5,178
2023	1,727
Total minimum lease payments	6,905
Less amount representing interest (rate of 4.45%)	716
Present value of net minimum capital lease payments	6,189
Current portion of obligations under capital lease	4,519
Long term portion of obligations under capital lease	$ 1,670

Interest expense incurred during the year totalled $1,316 (2020 - $1,877).

7. Grant revenue:

Grant revenue consists of funding from the following organizations:

	2021	2020
Via Sport	$ 150,202	$ 100,000
PacificSport Victoria	64,000	64,000
Foundations	78,838	47,447
Other	77,444	165,437
	$ 370,484	$ 376,884

8. Contributed materials and services:

During fiscal 2021, the Society recognized $8,574 (2020 - $41,044) of contributed services consisting of print and radio advertisement and donations in kind. These amounts are recognized within sponsorships revenue.

9. 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:

	2021	2020
Deferred capital contributions, beginning of year	$ 22,069,949	$ 22,330,322
Turf replacement contributions	1,075,000	-
Contribution for field, building and gym improvements	466,580	328,617
	23,611,529	22,658,939
Less amortization recognized as revenue	611,193	588,990
Deferred capital contributions, end of year	$ 23,000,336	$ 22,069,949

Unspent deferred capital contributions as at March 31, 2021 were $1,075,000 (2020 $169,700).

10. 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 two year addendum effective April 1, 2019 to their Sublease Agreement (expiring in 2033) for 21,575 square feet of dedicated space at an annual cost of $651,543 in the first year, increasing to a total of $668,840 in 2021. During fiscal 2021, the Society earned $668,840 (2020 - $651,543) in lease revenue from the College. In addition, the Society paid $323,885 (2020 - $327,623) 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.

11. 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, 2021 is $16,649 (2020 - $14,082). Distributions received from the fund during the year totaled $604 (2020 - $608) and were awarded as bursaries.

11. 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, 2021 was $37,654 (2020 - $31,811). Distributions received from the fund during the year totaled $1,323 (2020 - $1,257) and were awarded as bursaries.

12. 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 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 2020.

13. Remuneration of directors, employees and contractors:

For the fiscal year ending March 31, 2021, the Society paid total remuneration of $188,692 (2020 - $185,808) 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 (2020 - nil).

14. COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The Society reacted to this outbreak by suspending all programs and the fitness centre on March 17, 2020. On March 20, 2020, the majority of the Society's staff were laid off.

On June 15, 2020 the Society reopened the fitness centre with new appropriate spacing, a reservation system, and health safety protocols in place. The building remained accessible to the Society's primary tenants, Camosun College and CSI Pacific. Youth summer programs started in early July with full reduced capacity, followed by personal conditioning sessions and group training. The majority of full time staff were back on payroll as of September 2020. The Society continued to adapt services as required throughout the year to comply with provincial health regulations.

The Society applied for and received the Canada Emergency Wage Subsidy (CEWS) beginning in April 2020. $399,483 in CEWS revenue is included in government assistance revenue on the statement of operations.

The Society applied for and received the interest free loan under the Canada Emergency Business Account (CEBA) program for $40,000. The loan was received May 5, 2020 and $10,000 is forgivable if the loan is repaid by December 31, 2022. The forgivable portion of the loan of $10,000 has been recorded in government assistance revenue.

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Society is not practicable at this time.