

MEMORANDUM

To: PSO Senior Volunteers and Staff
From: Christine Wong – Executive Assistant
Date: Thursday, May 23, 2019
Subject: 5 day notice - Sport BC Annual General Meeting

Dear Sport BC Members,

Sport BC is pleased to announce the 2019 Annual General Meeting that will take place

When: Wednesday, May 29, 2019

5:00 PM – 6:15 PM Registration and Social

6:15 PM – 8:00 PM Annual General Meeting

Where: Richmond Olympic Oval (Legacy Suite – 3rd Floor)

In preparation for the 2019 Sport BC Annual General Meeting, the following documents are included in this package:

1. Annual General Meeting Registration Form:
<https://goo.gl/forms/VJCf9gwuKqQ1twRU2>
2. Agenda
3. 2019 Audited and Approved Financial Statements for the year ending March 31, 2019

The Sport BC Constitution and Bylaws are available on our website at www.sportbc.com

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2019 Sport BC Annual General Meeting

Richmond Olympic Oval
Wednesday, May 29, 2019
6:15 PM to 8:00 PM

1. Call to Order
 2. Adoption of agenda of 2019 Annual General Meeting
 3. Confirmation of quorum and voting rules
 4. Approval of minutes of 2018 Annual General Meeting
 5. Business arising from 2018 AGM
 6. Chair Remarks
 7. CEO Remarks
 8. Committee Reports
 - a. Governance Committee
 - b. Provincial Adjudication Committee
 - c. Investment Committee
 - d. Finance & Audit Committee
 - i. Audited Financial Statements for the year ending March 31, 2019
 - ii. Presentation of approved budget for the year ending March 31, 2020
 9. New Business
 - a. 2019 AGM Date – Thursday, May 28, 2020
 10. Election of Directors
 - a. Nominations Committee Report
 - b. Overview of election process
 - c. Election
 - d. Announcement of Directors of 2019 – 2020
 11. Motion to Adjourn
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Consolidated Financial Statements of

SPORT BC

Year ended March 31, 2019



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of Sport BC

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of Sport BC (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of operations and changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at March 31, 2019, and its consolidated results of operations and its consolidated 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 period.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Vancouver, Canada
May 23, 2019

SPORT BC

Consolidated Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,477,119	\$ 1,491,708
Restricted cash (note 3)	272,473	213,096
Accounts receivable (notes 4 and 6)	548,234	751,470
Prepaid expenses	30,082	25,347
Investments at fair value (note 5)	2,719,319	2,570,126
	<u>5,047,227</u>	<u>5,051,747</u>
Investment in related party (note 6)	1	1
Capital assets (note 7)	32,398	16,523
	<u>\$ 5,079,626</u>	<u>\$ 5,068,271</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (notes 3 and 8)	\$ 820,283	\$ 833,743
Deferred contributions (note 9)	109,697	219,604
Customer deposits	86,800	104,157
	<u>1,016,780</u>	<u>1,157,504</u>
Net assets	4,062,846	3,910,767
	<u>\$ 5,079,626</u>	<u>\$ 5,068,271</u>

Commitments (note 10)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:



Carey Dillen, Director



Mario Ramos, Director

SPORT BC

Consolidated Statement of Operations and Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Insurance premium commissions	\$ 674,326	\$ 619,048
Net investment income (note 5)	83,376	62,220
Fees for services and other	106,360	100,844
Provincial funding (note 9)	510,053	401,108
Membership fees	62,250	65,400
Corporate support, events and fundraising (note 9)	872,445	794,857
	<u>2,308,810</u>	<u>2,043,477</u>
Operating expenses:		
Insurance operations (notes 4 and 11)	385,972	518,156
Financial services	338,058	272,283
Leadership and operations	245,940	140,668
Marketing and communications	128,834	120,300
KidSport™ BC (note 9)	1,173,454	1,026,766
	<u>2,272,258</u>	<u>2,078,173</u>
Excess (deficit) before the undernoted	36,552	(34,696)
Unrealized gain in fair value of investments	95,527	75,150
Gain on disposition of investment in Allsport Insurance Marketing Ltd. (note 6)	-	253,847
Contributed capital (note 15)	20,000	-
	<u>115,527</u>	<u>328,997</u>
Excess of revenue over expenses	152,079	294,301
Net assets, beginning of year	3,910,767	3,616,466
Net assets, end of year	<u>\$ 4,062,846</u>	<u>\$ 3,910,767</u>

See accompanying notes to consolidated financial statements.

SPORT BC

Consolidated Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 152,079	\$ 294,301
Add (deduct) non-cash items:		
Amortization of capital assets	7,750	4,225
Gain on disposition of investment in Allsport Insurance Marketing Ltd. (note 6)	-	(253,847)
Unrealized gain on investments	(95,527)	(75,150)
	64,302	(30,471)
Changes in non-cash operating items:		
Restricted cash (note 3)	(59,377)	(50,749)
Accounts receivable	203,236	2,505,008
Prepaid expenses	(4,735)	1,119
Accounts payable and accrued liabilities	(13,460)	11,872
Deferred contributions	(109,907)	(18,516)
Customer deposits	17,357	(80,655)
	62,702	2,337,608
Investments:		
Acquisition of investments	(84,023)	(2,494,976)
Disposal of investments	30,357	-
Acquisition of capital assets	(23,625)	(7,407)
Net proceeds received on disposition of Allsport Insurance Marketing Ltd. (note 6)	-	253,847
	(77,291)	(2,248,536)
Increase (decrease) in cash and cash equivalents	(14,589)	89,072
Cash and cash equivalents, beginning of year	1,491,708	1,402,636
Cash and cash equivalents, end of year	\$ 1,477,119	\$ 1,491,708

See accompanying notes to consolidated financial statements.

SPORT BC

Notes to Consolidated Financial Statements

Year ended March 31, 2019

1. Purpose of the organization:

Sport BC is a not-for-profit organization incorporated under the Societies Act (British Columbia). Under the provisions of the Income Tax Act, Sport BC is exempt from Canadian federal and provincial income taxes.

Sport BC, as a federation of sport organizations, provides leadership, direction, and support to foster the growth and development of amateur sport in British Columbia.

2. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and incorporate the following significant accounting policies:

(a) Consolidation:

These consolidated financial statements include the accounts of Sport BC and its wholly owned insurance subsidiary, SBC Insurance Agencies Ltd. ("SBC"), a taxable entity whose principal business activity is to operate an insurance brokerage. All intercompany transactions and balances have been eliminated.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on account and investments in short-term term deposits that have maturities within ninety days of acquisition.

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization and impairment write-downs. Amortization expense is charged using the declining balance method as follows:

Equipment and telephone	20%
Computers and software	33%

Repairs and maintenance costs are charged to expense. Betterments that enhance the service potential or extend the useful life of an asset are capitalized. When a capital asset no longer contributes to Sport BC's ability to provide services, its carrying amount is written down to its residual value.

(d) Payroll retainer:

Sport BC performs payroll services for certain Provincial Sport Organizations ("PSO") and collects a retainer from each PSO at the commencement of service. The balance is recorded as a liability and repaid when the PSO no longer requires payroll services to be performed.

SPORT BC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(e) Revenue recognition:

Sport BC follows the deferral method of accounting for contributions. Restricted contributions are initially deferred and recognized as revenue in the year in which the related expenses are incurred or restrictions met. Unspent amounts are included in deferred contributions. Contributions of, or funding for, the acquisition of capital assets are deferred and recognized as revenue on the same basis as the capital asset is amortized. 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.

Insurance commission revenue is recorded as insurance premium commissions at the time the coverage period of the policy commences.

(f) Contributed materials and services:

Sport BC recognizes as revenue contributions of certain services received at the estimated fair value of those services, provided the services would otherwise have been acquired and a fair value can be determined.

Contributed equipment is recorded at fair value when received.

(g) Use of estimates:

The preparation of the consolidated 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 as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to useful lives of capital assets for purposes of amortization, fair value of recognized contributed materials and services and the valuation of accounts receivable. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Sport BC has elected to carry its investments 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.

SPORT BC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

2. Significant accounting policies (continued):

(h) Financial instruments (continued):

Financial assets carried at cost or amortized cost 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, Sport BC 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 Sport BC 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.

(i) Allocation of expenses:

Management allocates human resource expenses based on the proportion of respective time Sport BC employees commit to the specific areas of operations.

(j) Income taxes:

SBC uses the taxes payable method to account for income taxes whereby the expense (income) of the period consists only of the cost (benefit) of current income taxes for that period (note 11), determined in accordance with the rules established by taxation authorities. Sport BC is exempt from Canadian federal and provincial income taxes.

(k) Customer deposits

Deposits received and related revenue are deferred in current liabilities until the sale is recorded.

3. Restricted cash:

Restricted cash is comprised of funds held by SBC for premiums collected on behalf of clients. This amount is also included in accounts payable and accrued liabilities.

4. Accounts receivable:

As at March 31, 2019, the balance of accounts receivable is net of an allowance for doubtful accounts of nil (2018 - \$14,676).

Included in insurance operations expenses is bad debt expense of nil (2018 - \$14,676).

SPORT BC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

5. Investments at fair value:

As at March 31, 2019, Sport BC held \$2,719,319 in mutual funds measured at fair value (2018 - \$2,570,126).

Net investment income earned during the year ended March 31 is comprised of the following:

	2019	2018
Interest	\$ 28,204	\$ 19,098
Dividends	84,023	43,122
Investment counsel fees	(30,129)	-
Realized gain	1,278	-
	<u>\$ 83,376</u>	<u>\$ 62,220</u>

6. Investments in related party:

Sport BC owns 100% of the shares of SBC Distributions Ltd. and accounts for this investment using the equity method. The company is inactive and, accordingly, Sport BC's equity investment in the shares have been reduced to a nominal value of \$1.

On March 31, 2017, Sport BC sold its 50% equity interest in Allsport Insurance Marketing Ltd. In 2018, the purchaser was required to pay Sport BC contingent consideration of \$253,847. The additional consideration was recorded in the results of operations for the year ended March 31, 2018 and was included in accounts receivable as at March 31, 2018. This receivable was settled in May 2018 and there remains no outstanding amounts receivable in respect of this transaction as at March 31, 2019.

7. Capital assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and telephone	\$ 6,184	\$ 5,716	\$ 468	\$ 585
Computers and software	84,899	52,969	31,930	15,938
	<u>\$ 91,083</u>	<u>\$ 58,685</u>	<u>\$ 32,398</u>	<u>\$ 16,523</u>

Included in leadership and operations expenses is amortization of \$5,404 (2018 - \$2,219.15).

SPORT BC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are PSO payroll services retainers of \$321,649 (2018 - \$319,549) and government remittances payable of \$16,234 (2018 - \$5,459) related to income and sales taxes.

9. Deferred contributions:

The changes in deferred contributions are as follows:

	2019	2018
Deferred contributions, beginning of year	\$ 219,604	\$ 238,120
Amounts received, Province of BC: KidSport™ BC Provincial grants	400,000	400,000
Amounts received, other: KidSport™ BC - Other restricted contributions	664,120	610,386
Amounts recognized as revenue: KidSport™ BC - Province of BC grants	(510,053)	(401,108)
KidSport™ BC - Other restricted contributions	(663,974)	(627,794)
Deferred contributions, end of year	\$ 109,697	\$ 219,604

The balance of deferred contributions as at March 31 is comprised of the following:

	2019	2018
KidSport™ BC - Province of BC grants	\$ 98,959	\$ 209,012
Kidsport™ BC - Other restricted contributions	10,738	10,592
	\$ 109,697	\$ 219,604

Kidsport™ BC is a licensed provincial chapter of Kidsport™ Canada and operates as a division of Sport BC. Kidsport™ BC receives funds through provincial grants, corporate sponsorships, and annual fundraising events, and provides grants for children ages 18 and under to participate in a sport season of their choice. Funds received in the year that are not granted out to children or used to operate Kidsport™ programs are deferred to future periods. Provincial grants and corporate sponsorships recognized as revenue in the year are included under Provincial funding and Corporate support, events and fundraising respectively in the consolidated statement of operations and changes in net assets.

SPORT BC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

10. Commitments:

Operating leases:

Sport BC has an agreement with BC Pavilion Corporation to lease office space at 999 Canada Place in Vancouver, BC. The lease expired on October 31, 2018 and was renewed for a further six months to April 30, 2019 whereon the lease is on a month-to-month basis with the landlord agreeing to provide no less than six months' before terminating the lease.

Sport BC also has operating lease agreements for printers requiring a quarterly minimum charge plus charges for additional impressions and/or services.

The annual future minimum lease payments under operating leases are as follows:

2020	\$	6,787
2021		655
	\$	7,442

11. Income tax expense:

Included in insurance operations expense is \$13,798 (2018 - \$3,507) of income tax expense related to SBC.

12. Bank loan:

Sport BC has a banking agreement with TD Canada Trust (the "Bank") for credit facilities consisting of a revolving term facility with a maximum of \$300,000 and an operating loan with a maximum of \$250,000, each bearing interest at the Bank's prime rate.

As at March 31, 2019, no amounts (2018 - nil) have been drawn against these credit facilities.

Both credit facilities are collateralized by a general security agreement representing a first charge on all of Sport BC's present and after acquired personal property.

13. Employee remuneration:

For the year ended March 31, 2019, Sport BC paid total remuneration of \$334,691 (2018 - \$428,157) to three (2018 - four) employees, each of whom received total annual remuneration of \$75,000 or greater. There was no remuneration paid to directors of Sport BC during the fiscal year.

SPORT BC

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2019

14. Financial risks:

(a) Credit risk:

Credit risk is the risk that a third party to a financial instrument might fail to meet its obligations under the terms of the financial instrument. Sport BC is exposed to credit risk with respect to the accounts receivable. Sport BC assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. Assessment for uncollectible accounts are performed by management and provided for. There has been no change to the risk exposure from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk that an entity will not be able to meet its obligations associated with financial liabilities. Sport BC is exposed to this risk mainly in respect of its bank loan and accounts payable and accrued liabilities. Sport BC manages liquidity risk by maintaining adequate cash and highly liquid investments. There has been no change to the risk exposure from the prior year.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks include equity price risk, currency risk and interest rate risk. Sport BC's exposure to equity price risk is primarily attributable to fluctuations in quoted market prices of listed investments.

The risks associated with investments are managed through Sport BC's established investment policy. There is no change in risk exposure from the prior year.

15. Contributed capital:

On February 6, 2019, Sport BC entered into an asset purchase agreement to acquire the assets of ProMOTION Plus, a society incorporated in British Columbia. The acquired assets are comprised of \$20,000 cash, goodwill and intellectual property. In consideration for the assets, Sport BC has agreed to use its commercially reasonable efforts to continue to operate the programs of ProMOTION Plus and to increase opportunities for women and girls in sport and physical activity. The transaction has been recorded as contribution of capital of \$20,000 for cash received.

16. Comparative information:

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