Financial Statements of

ParticipACTION

And Independent Auditor's Report thereon

Year ended March 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Board Members of ParticipACTION

Opinion

We have audited the financial statements of ParticipACTION (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations for the year then ended
- the statement of changes in net assets 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, 2023, 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 ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's 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.

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 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 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 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 represents 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

September 26, 2023

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Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (note 2)	$ 1,409,469	$ 997,661
Accounts receivable and prepaid expenses	783,924	208,418
Short-term investments (note 2)	–	1,000,822
	2,193,393	2,206,901
Capital assets (note 3)	5,682	18,769
	$ 2,199,075	$ 2,225,670
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 372,512	$ 464,401
Deferred contributions (note 4)	146,411	132,448
	518,923	596,849
Net assets:		
General surplus	25,152	73,821
Strategic reserve fund (note 5)	1,655,000	1,555,000
	1,680,152	1,628,821
Commitments (note 7)		
	$ 2,199,075	$ 2,225,670

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

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Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Revenue:		
Grants	$ 11,963,417	$ 7,637,250
Donations and sponsorships	729,360	574,555
Interest and miscellaneous	236,361	46,092
	12,929,138	8,257,897
Expenses:		
Programs and services	8,668,501	4,190,923
Staffing (note 6)	2,799,500	2,900,795
Marketing and communications	848,123	736,138
Office and general	440,161	386,814
Board and committees	103,406	8,708
Amortization of capital assets	18,116	27,878
	12,877,807	8,251,256
Excess of revenue over expenses	$ 51,331	$ 6,641

See accompanying notes to financial statements.

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Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	General surplus	Strategic reserve fund (note 5)	2023 Total	2022 Total
Net assets, beginning of year	$ 73,821	$ 1,555,000	$ 1,628,821	$ 1,622,180
Excess of revenue over expenses	51,331	–	51,331	6,641
Interfund transfer	(100,000)	100,000	–	–
Net assets, end of year	$ 25,152	$ 1,655,000	$ 1,680,152	$ 1,628,821

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 51,331	$ 6,641
Amortization of capital assets which does not involve cash	18,116	27,878
Change in non-cash operating working capital:		
Accounts receivable and prepaid expenses	(575,506)	89,215
Accounts payable and accrued liabilities	(91,889)	(899,318)
Deferred contributions	13,963	(273,552)
	(583,985)	(1,049,136)
Investing activities:		
Change in investments, net	1,000,822	(1,000,822)
Purchase of capital assets	(5,029)	(1,573)
	995,793	(1,002,395)
Increase (decrease) in cash and cash equivalents	411,808	(2,051,531)
Cash and cash equivalents, beginning of year	997,661	3,049,192
Cash and cash equivalents, end of year	$ 1,409,469	$ 997,661

See accompanying notes to financial statements.

ParticipACTION (the "Corporation") is a non-profit corporation incorporated without share capital. The Corporation was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in January 2014. The Corporation's principal activities are the promotion of health and physical fitness of Canadians through mass communication. The Corporation is a registered charitable organization, and is exempt from income taxes under Section 149(1) of the Income Tax Act (Canada).

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The most significant accounting policies are as follows:

(a) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and short-term investments with maturities of less than 90 days.

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions, which include donations and sponsorships and grants.

Donations are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. No accruals are made for monies pledged but not yet received.

Funding grants from government and amounts received from promotion sponsors are recorded as revenue as the services are rendered or as the merchandise is provided.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Interest income is recorded on the accrual basis.

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at fair value at the date of contribution. Amortization is provided using the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	3 years
Computers	3 years
Leasehold improvements	Term of lease

(d) Contributed materials and services:

Contributed materials and services are recognized only if the fair value can be reasonably estimated at the date of contribution and when the materials and services are used in the normal course of the Corporation's operations and would otherwise have been purchased.

During the year, the Corporation received in-kind materials and services in the amount of $8,951,234 (2022 - $12,197,738) in the form of media, products and services to support the Corporation's initiatives. These contributed services and materials are not recognized in the statement of operations.

(e) 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. The Corporation has elected to carry any such financial instruments at fair value.

1. Significant accounting policies (continued):

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 Corporation 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 Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Attribution of general administration expenses:

Certain administration support expenses are attributed to project expenses based on either task-based service or estimated effort expended.

(g) Use of estimates:

The preparation of the financial statements in conformity with ASNPO 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 such estimates and assumptions include the amortization expense and accrued liabilities. Actual results could differ from those estimates.

2. Cash and cash equivalents and short-term investments:

Cash equivalents consist of an investment savings account.

In the prior year, short-term investments included a fixed interest-bearing guaranteed investment certificate. The guaranteed investment certificate bore interest at 1.25% and matured in March 2023. As at March 31, 2022, this guaranteed investment certificate in the amount of $1,000,822 was classified as a short-term investment as it had a maturity less than 12 months.

3. Capital assets:

			2023	2022
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	$ 54,445	$ 54,445	$ –	$ –
Computers	104,877	99,195	5,682	14,277
Leasehold improvements	52,926	52,926	–	4,492
	$ 212,248	$ 206,566	$ 5,682	$ 18,769

4. Deferred contributions:

Deferred contributions related to expenses of future years represent unspent externally restricted donations and grants.

	2023	2022
Balance, beginning of year	$ 132,448	$ 406,000
Amounts received	284,175	267,650
Amounts spent	(270,212)	(541,202)
Balance, end of year	$ 146,411	$ 132,448

5. Strategic reserve fund:

The Board of Directors has established a reserve fund to allow for extraordinary events that may affect the ordinary operations of the Corporation.

6. Attribution of expenses:

Staffing expenses of $2,799,500 (2022 - $2,900,795) reported in the statement of operations are reported after attribution of nil (2022 - nil) to project expenses. Attribution of staffing expenses to project expenses varies each year depending on the mix of funding grants and the direct allocation of funding to staffing expenses.

7. Commitments:

The future minimum annual lease payments required under various operating leases, excluding realty taxes and common area maintenance, are approximately as follows:

2024	$ 50,000
2025	3,000
2026	3,000
	$ 56,000

8. Financial instruments:

Investment risk management:

Investment risk management relates to the understanding and active management of risk associated with all areas of investments and the associated operating environment. Investments are primarily exposed to market risk and possibly early redemption by the issuer. The Corporation reviews its investment assets mix and cash requirements annually.

There has been no change to the above risk exposure from 2022.

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Schedule 1 - Sport Canada Contributions

Year ended March 31, 2023

Revenue:	
Reference level:	
Sport support program grant	$ 1,989,000
Expenses:	
General administrative:	
Office and general	181,004
Board of Directors	17,878
	198,882
Staffing:	
Salaries and benefits	870,000
Operations and programming:	
Programs	400,061
Marketing and communication	271,642
Thought leadership	201,774
Evaluation	33,641
	907,118
Official languages:	
Translation costs	13,000
	1,989,000
Excess of revenue over expenses	$ –

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Schedule 2 - Public Health Agency of Canada Contributions (Let's Get Moving)

Year ended March 31, 2023

Revenue:	
Grants	$ 4,700,000
Expenses:	
Materials	1,285,843
Personnel	1,250,000
Performance measurement	245,000
Rent	102,000
Travel	54,000
Utilities	24,657
Equipment	2,500
	2,964,000
Other:	
Media	1,357,125
Rewards	378,875
	1,736,000
	4,700,000
Excess of revenue over expenses	$ –

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Schedule 3 - Sport Canada Contributions (Community Sport for All Initiative)

Year ended March 31, 2023

Revenue:	
Grants	$ 4,667,000
Expenses:	
Administration	35,000
Salaries, fees, and benefits	362,000
Operations and programming	209,877
Disbursements to Community Organizations	3,999,992
Research	60,131
	4,667,000
Excess of revenue over expenses	$ –

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Schedule 4 - Public Health Agency of Canada Contributions (ParticiPARKS)

Year ended March 31, 2023

Revenue:		
Grants	$	277,417
Expenses:		
Personnel		235,555
Travel		8,136
Materials		20,401
Performance Measurement		13,325
		277,417
Excess of revenue over expenses	$	–