

# **Dovercourt Recreation Association**



## **Financial Statements** For the year ended December 31, 2018



**Dovercourt Recreation Association**  
**Financial Statements**  
For the year ended December 31, 2018

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## Independent Auditor's Report

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### **To the Members of Dovercourt Recreation Association**

#### Opinion

We have audited the financial statements of Dovercourt Recreation Association (the "association") which comprise the balance sheet as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the association as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the association 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 association'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 association, or has no realistic alternative but to do so.

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

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## Independent Auditor's Report (continued)

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 association'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 association'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 association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

As required by the Corporations Act of Ontario, we report that, in our opinion, the accounting principles in Canadian Accounting Standards for Not-for-Profit Organizations have been applied on a basis consistent with that of the preceding year.

*Baker Tilly Ottawa LLP*

Chartered Professional Accountants, Licensed Public Accountants  
April 30, 2019  
Ottawa, Ontario

## Dovercourt Recreation Association Balance Sheet

December 31	2018	2017
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 1)	\$ 1,157,777	\$ 1,004,800
Accounts receivable	29,802	80,493
Inventory	2,241	1,350
Prepaid expenses	22,790	36,771
	1,212,610	1,123,414
<b>Tangible capital assets</b> (Note 2)	1,569,847	535,700
	\$ 2,782,457	\$ 1,659,114

### Liabilities and Net Assets

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 653,236	\$ 239,046
Government remittances payable	44,231	45,027
Deposits on hand	312,504	445,490
Deferred contributions (Note 3)	74,884	127,111
	1,084,855	856,674
<b>Deferred contributions related to tangible capital assets</b> (Note 4)	918,123	415,152
	2,002,978	1,271,826
<b>Net assets</b>		
Net assets internally restricted for invested in tangible capital assets	651,724	120,548
Net assets - internally restricted reserve fund	124,198	265,956
Unrestricted	3,557	784
	779,479	387,288
	\$ 2,782,457	\$ 1,659,114

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director

## Dovercourt Recreation Association Statement of Changes in Net Assets

For the year ended December 31

2018

2017

	Internally Restricted				Internally Restricted			
	Invested in Tangible Capital Assets	Restricted Reserve Fund	Unrestricted	Net Assets	Invested in Tangible Capital Assets	Restricted Reserve Fund	Unrestricted	Net Assets
<b>Balance, beginning of year</b>	<b>\$ 120,548</b>	<b>\$ 265,956</b>	<b>\$ 784</b>	<b>\$ 387,288</b>	<b>\$ 168,566</b>	<b>\$ 491,956</b>	<b>\$ 26,103</b>	<b>\$ 686,625</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	(33,751)	-	425,942	392,191	(60,954)	-	(238,383)	(299,337)
<b>Investment in tangible capital assets</b>	564,927	-	(564,927)	-	12,936	-	(12,936)	-
<b>Interfund transfer (Note 6)</b>	-	(141,758)	141,758	-	-	(226,000)	226,000	-
	<b>531,176</b>	<b>(141,758)</b>	<b>2,773</b>	<b>392,191</b>	<b>(48,018)</b>	<b>(226,000)</b>	<b>(25,319)</b>	<b>(299,337)</b>
<b>Balance, end of year</b>	<b>\$ 651,724</b>	<b>\$ 124,198</b>	<b>\$ 3,557</b>	<b>\$ 779,479</b>	<b>\$ 120,548</b>	<b>\$ 265,956</b>	<b>\$ 784</b>	<b>\$ 387,288</b>

## Dovercourt Recreation Association Statement of Operations

For the year ended December 31	2018	2017
<b>Programs</b>		
Revenue		
Aquatics	\$ 1,054,530	\$ 956,559
Health and Fitness	579,913	510,401
Recreation	<u>3,278,742</u>	<u>3,069,286</u>
	<u>4,913,185</u>	<u>4,536,246</u>
Direct Cost		
Aquatics	604,955	588,530
Health and Fitness	421,785	429,727
Recreation	<u>2,104,635</u>	<u>2,069,095</u>
	<u>3,131,375</u>	<u>3,087,352</u>
<b>Net revenue from programs</b>	<b>1,781,810</b>	<b>1,448,894</b>
<b>City of Ottawa Funding (Note 5)</b>	<u><b>403,372</b></u>	<u>393,184</u>
	<u><b>2,185,182</b></u>	<u>1,842,078</u>
<b>Operations and Community Development</b>		
Revenue		
Fundraising	22,490	22,794
Other revenue	164,742	164,249
Deferred contributions recognized (Note 4)	13,237	7,554
Community Development	433,102	325,177
Parties and rentals	<u>90,704</u>	<u>91,584</u>
	<u>724,275</u>	<u>611,358</u>
Expense		
Operations	2,044,828	2,212,519
Community Development	431,609	426,794
Building Expansion	5,110	25,709
Parties and rentals	<u>35,719</u>	<u>87,751</u>
	<u>2,517,266</u>	<u>2,752,773</u>
	<u>(1,792,991)</u>	<u>(2,141,415)</u>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ 392,191</b>	<b>\$ (299,337)</b>

## Dovercourt Recreation Association Statement of Cash Flows

For the year ended December 31	2018	2017
<b>Cash flows from operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	\$ 392,191	\$ (299,337)
Adjustments for		
Amortization of tangible capital assets	46,988	68,508
Deferred contributions recognized	(13,237)	(7,554)
	425,942	(238,383)
Changes in non-cash working capital items		
Accounts receivable	50,691	13,838
Inventory	(891)	12,970
Prepaid expenses	13,981	19,479
Accounts payable and accrued liabilities	414,190	12,932
Deposits on hand	(132,986)	64,320
Deferred contributions	(18,746)	83,354
Government remittances payable	(796)	24,435
	751,385	(7,055)
<b>Cash flows from investing activities</b>		
Acquisition of tangible capital assets	(1,083,721)	(419,197)
Capital contributions received	485,313	406,261
	(598,408)	(12,936)
<b>Increase (decrease) in cash and cash equivalents during the year</b>	<b>152,977</b>	<b>(19,991)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,004,800</b>	<b>1,024,791</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,157,777</b>	<b>\$ 1,004,800</b>



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## Dovercourt Recreation Association Summary of Significant Accounting Policies

**December 31, 2018**

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<b>Nature of Organization</b>	<p>The association was incorporated in December 1977. It is a registered charity, non-taxable organization and operates the Dovercourt Recreation Centre, a building constructed and owned by the City of Ottawa. It provides recreational and leisure services to the Dovercourt community through committed, professional employees and dedicated community volunteers; high quality, creative and progressive programming; and healthy, safe and friendly environments in which all may thrive.</p> <p>The city provides funding, which will vary from year to year, to the association to defray annual operating costs. The city also pays directly certain costs of operating the building such as heat, water, electricity and repairs.</p> <p>The association provides a variety of programs for which registration fees are charged to participants.</p>
<b>Basis of Presentation</b>	<p>The financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.</p>
<b>Management Responsibility and Use of Estimates</b>	<p>The financial statements of the association are the responsibility of management and are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. Since precise determination of many assets and liabilities at the financial statement date and the reported amount of revenues and expenses during the reporting period is dependent on future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgements, however actual results could differ from management's best estimates and assumptions as additional information becomes available in the future.</p> <p>Significant estimates include assumptions used in estimating the useful life and related amortization of capital assets and provisions for certain accrued liabilities.</p>
<b>Financial Instruments</b>	<p><u><i>Measurement of financial instruments</i></u></p> <p>Financial instruments are financial assets or liabilities of the association where, in general, the association has the right to receive cash or another financial asset from another party or the association has the obligation to pay another party cash or other financial asset.</p> <p>The association initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions that are measured at the exchange amount.</p> <p>The association subsequently measures its financial assets and financial liabilities at amortized cost.</p> <p>The association's financial assets and financial liabilities measured at amortized cost include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and government remittances payable.</p>

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## Dovercourt Recreation Association Summary of Significant Accounting Policies

**December 31, 2018**

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**Financial Instruments**  
(continued)

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down, if any, is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed, to the extent of the improvement, directly or by adjusting the allowance account. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost. The amount of the reversal is recognized in excess of revenue over expenses.

Transaction cost

The association recognizes its transaction costs in excess of revenue over expenses in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

**Revenue Recognition**

The association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the 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.

Program revenue, other revenue, and unrestricted investment income are recognized as revenue when earned.

**Cash and Cash  
Equivalents**

Cash and cash equivalents include redeemable investments or investments with an original maturity of less than 90 days.

**Tangible Capital Assets**

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is based on the estimated useful life of the asset and is provided as follows:

Facility improvements	5 year straight-line basis
Facility expansion	20 year straight-line
Equipment	5 year straight-line basis
Computers	3 year straight-line basis
Furniture and fixtures	5 years straight-line basis
Contributed van	60 months straight-line basis

One-half of the above rates is used in the year of acquisition.

Tangible capital assets that cost less than \$1,000 are charged to expense in the year of acquisition.

**Contributed Materials  
and Services**

Contributed materials and services which are used in the normal course of the association's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

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## Dovercourt Recreation Association Summary of Significant Accounting Policies

**December 31, 2018**

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**Deposits on Hand**

Registration fees received for programs which have not commenced at December 31st are recorded as deposits on hand.

**Internally Restricted  
Net Assets**

A portion of the association's net assets has been restricted in accordance with specific directives as approved by the association's board of directors. The purpose of each is as follows:

*Invested in Tangible Capital Assets*

Invested in tangible capital assets comprises the net book value of capital assets.

*Restricted Reserve Fund*

Designated for obligations of the association to be used at the discretion of the board of directors. The intended use of the reserve is security against financial insolvency and funding for future expansion, capital projects and community projects.

All expenses from the restricted reserve fund must be approved by the board of directors.

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## Dovercourt Recreation Association Notes to Financial Statements

**December 31, 2018**

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### 1. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2018	2017
Cash	\$ 1,157,777	\$ 704,800
Term deposits	-	300,000
	\$ 1,157,777	\$ 1,004,800

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### 2. Tangible Capital Assets

	2018			2017		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Facility improvements	\$ 61,194	\$ 31,204	\$ 29,990	\$ 255,246	\$ 225,305	\$ 29,941
Facility expansion						
Phase one	55,697	8,450	47,247	55,697	8,450	47,247
Phase two	1,424,976	-	1,424,976	406,261	-	406,261
Equipment						
Centre Cafe	-	-	-	7,929	7,929	-
Office	1,284	1,070	214	21,872	21,458	414
Program	16,304	11,669	4,635	56,730	47,106	9,624
Fitness centre	13,094	10,911	2,183	80,763	74,206	6,557
Maintenance	16,480	12,064	4,416	23,844	15,026	8,818
Computers	23,069	12,683	10,386	140,065	125,124	14,941
Furniture and fixtures	23,653	16,986	6,667	54,216	42,319	11,897
Contributed van	43,481	4,348	39,133	53,164	53,164	-
	\$ 1,679,232	\$ 109,385	\$ 1,569,847	\$ 1,155,787	\$ 620,087	\$ 535,700

Phase two of the facility expansion was not complete or in use as at December 31, 2018, therefore no amortization has been taken.

During the year a van was contributed to the association at its estimated fair value. The association also wrote off \$560,276 of fully amortized assets that were no longer in use.

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## Dovercourt Recreation Association Notes to Financial Statements

**December 31, 2018**

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### 3. Deferred Contributions

Deferred contributions represents funds received in the current year that relates to operations of the subsequent year.

	2018	2017
Capital projects and expansion	\$ 46,487	\$ 77,381
SJAM	28,397	49,730
	\$ 74,884	\$ 127,111

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### 4. Deferred Contributions Related to Tangible Capital Assets

Deferred contributions related to tangible capital assets represents the value of the assets that were contributed to the association.

	2018	2017
Balance, beginning of year	\$ 415,152	\$ 16,445
Contributions received	516,208	406,261
Amounts recognized as revenue during the year	(13,237)	(7,554)
Balance, end of year	\$ 918,123	\$ 415,152

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### 5. City of Ottawa Funding

Total funding received from the City of Ottawa during the year was as follows:

	2018	2017
Purchase of service agreement	\$ 350,506	\$ 339,441
National Child Benefit	29,443	29,443
Outdoor Rink Grant	7,973	9,300
Wading Pool Grant	15,450	15,000
	\$ 403,372	\$ 393,184

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## Dovercourt Recreation Association Notes to Financial Statements

**December 31, 2018**

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### 6. Interfund Transfer

The internally restricted reserve is comprised of the following:

	<u>2018</u>	<u>2017</u>
Security against financial insolvency	\$ 124,198	\$ 124,198
Capital projects and expansion	-	141,758
	<u>\$ 124,198</u>	<u>\$ 265,956</u>

During the year, the board of directors approved a transfer of \$141,758 from the internally restricted reserve to unrestricted net assets.

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### 7. Financial Instruments Risk and Concentrations

The association is exposed to various risks through its financial instruments. The following analysis provides a measure of the association's risk exposure and concentrations as at December 31, 2018.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The association is exposed to credit risk in the event of non-payment by their customers for their accounts receivable.

#### Liquidity risk

Liquidity risk is the risk that the association will encounter difficulty in meeting obligations associated with financial liabilities. The association is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

#### 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 risk comprises three types of risk: currency risk, interest rate risk, and other price risk. The association is not exposed to any significant market risk.

#### Changes in risk

There have been no significant changes in the association's risk exposures from the previous fiscal year.

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