

Financial Statements of

BC GAMES SOCIETY

Year ended March 31, 2013

DICKSON
DUSANJ
& WIRK

CHARTERED
ACCOUNTANTS

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities, in part, through the Audit Committee. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Dickson Dusanj & Wirk Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of BC Games Society and meet with the Audit Committee at least annually. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of BC Games Society



Kelly Mann
President and Chief Executive Officer

AUDITORS' REPORT

**To: The Board of Directors of the BC Games Society
The Minister of Community, Sport & Cultural Development**

Report on Financial Statements

We have audited the accompanying financial statements of BC Games Society (the "Society"), which comprise the statement of financial position as at March 31, 2013 and the statements of operations and accumulated surplus and changes in net financial assets and cash flows for the year ended March 31, 2013 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2013 and the results of its operations and changes in net financial assets and cash flows for the year ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a consistent basis.

Dickson Dusanj & Wirk

BC GAMES SOCIETY

Statement of Financial Position

March 31, 2013, with comparative figures as at March 31, 2012

	2013	2012
Financial assets		
Cash and cash equivalents	\$ 578,130	\$ 654,817
Accounts receivable	131,042	12,300
Due from government organizations (Note 4)	13,012	54,879
	<u>722,184</u>	<u>721,996</u>
Liabilities		
Accounts payable and accrued liabilities (Note 5)	84,903	229,085
	<u>84,903</u>	<u>229,085</u>
Net financial assets	637,281	492,911
Non-financial assets		
Tangible capital assets (Note 6)	144,299	152,389
Inventories held for use	3,724	1,036
	<u>148,023</u>	<u>153,425</u>
Accumulated surplus	\$ 785,304	\$ 646,336

Contractual obligations (note 10)

See accompanying notes and supplementary schedules to financial statements.

APPROVED BY THE BOARD

Chit Alley Director

Sue Bock Director

BC GAMES SOCIETY

Statement of Operations and Accumulated Surplus

Year ended March 31, 2013, with comparative figures for 2012

	Budget (Note 2(j))	2013	2012
Revenue:			
Province of British Columbia grants	\$ 2,002,000	\$ 2,105,000	\$ 2,105,000
Athlete registration	350,000	307,070	150,402
Contractual revenues	12,000	2,239	18,482
BC Senior Games Service Agreement	55,000	55,000	55,000
Funding partners	100,000	60,000	-
Interest earned	3,000	9,456	-
Surplus recoveries	65,000	230,712	61,316
Souvenirs	5,000	-	-
	<u>2,592,000</u>	<u>2,769,477</u>	<u>2,390,200</u>
Expenses:			
	(Note 9)		
Administration	1,217,000	1,207,385	1,198,739
Games operating costs	605,000	553,624	437,347
Operating grants	770,000	869,500	670,000
	<u>2,592,000</u>	<u>2,630,509</u>	<u>2,306,086</u>
Annual surplus	(Note 3)	-	138,968
Accumulated surplus, beginning of year		646,336	562,222
Accumulated surplus, end of year		<u>\$ 646,336</u>	<u>\$ 646,336</u>

See accompanying notes and supplementary schedules to financial statements.

BC GAMES SOCIETY

Statement of Changes in Net Financial Assets

Year ended March 31, 2013, with comparative figures for 2012

	Budget	2013 Total	2012 Total
	(Note 2(j))		
Annual surplus	\$ -	\$ 138,968	\$ 84,114
(Acquisition) of tangible capital assets	(19,000)	(30,775)	(33,919)
Amortization of tangible capital assets	40,000	38,865	37,157
	21,000	8,090	3,238
Acquisition of inventories held for use	-	(6,448)	(2,811)
Consumption of inventories held for use	-	3,760	4,350
Use of prepaid expense	-	-	7,447
	-	(2,688)	8,986
Increase in net financial assets	21,000	144,370	96,338
Net financial assets, beginning of year	492,911	492,911	396,573
Net financial assets, end of year	\$ 513,911	\$ 637,281	\$ 492,911

See accompanying notes and supplementary schedules to financial statements.

BC GAMES SOCIETY

Statement of Cash Flows

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
Cash flow derived from (applied to):		
Operating:		
Sources of cash:		
Grants	\$ 2,105,000	\$ 2,105,000
Other	381,609	168,884
Surplus recoveries	101,752	-
Funding	55,000	55,000
Interest	9,381	-
Uses of cash:		
Salaries and benefits	(725,192)	(735,125)
Operating	(169,966)	(149,794)
Administration	(210,809)	(324,351)
General	(564,187)	(437,156)
Grants	(1,044,500)	(433,684)
Net change in cash from operating activities	(61,912)	248,774
Capital activities:		
Cash used to acquire tangible capital assets	(14,775)	(30,138)
Net change in cash and cash equivalents	(76,687)	218,636
Cash and cash equivalents, beginning of year	654,817	436,181
Cash and cash equivalents, end of year	\$ 578,130	\$ 654,817

See accompanying notes and supplementary schedules to financial statements.

BC GAMES SOCIETY

Notes to Financial Statements

Year ended March 31, 2013, with comparative figures for 2012

1. Nature of Operations

The Society was incorporated under the Society Act on June 26, 1987. Currently, the purpose of the Society is to provide event management leadership to achieve sport, individual and community development.

Approximately 85% of the Society's annual revenues are received from the Province of British Columbia with the remainder generated from corporate sponsors, surpluses from host societies, athlete registration fees, contract service and interest.

The Northern B.C. Winter Games, the BC Winter Games, the B.C. Disability Games, the BC Summer Games and the B.C. Seniors Games are planned and operated by societies incorporated in the host community for each event. These financial statements do not reflect the revenues and expenditures of the local societies.

BC Games Society is exempt from income taxes under the Income Tax Act.

2. Summary of significant accounting policies

The term "Society" is used to mean the BC Games Society

(a) Basis of accounting:

The accompanying financial statements are prepared in accordance with Public Sector Accounting Board standards of the Canadian Institute of Chartered Accountants (CICA) without any PS4200 elections.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(c) Financial instruments

The Society's financial instruments include cash and cash equivalents, accounts receivable, amounts due from government organizations, accounts payable and accrued liabilities.

All financial instruments are measured at amortized cost using the effective interest method. Gains and losses are recognized in the Statement of Operations and accumulated surplus when these financial instruments are derecognized due to disposal or are impaired. Transaction costs related to the acquisition of these financial instruments are included in the cost of the related instruments.

The Society does not have any financial instruments, such as portfolio investments that are quoted in an active market or derivative instruments, which are valued at fair value, and therefore, no Statement of Remeasurement of Gains and Losses has been included.

BC GAMES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

2. Summary of significant accounting policies (continued)

(d) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives, as follows:

Asset	Basis	Rate
Computers and application software	Straight Line	3 – 5 Years
Registration software and computer cabling	Straight Line	5 Years
Bedding, torch, flags and signs for Host Societies	Straight Line	12 years
Furniture and equipment	Straight Line	10 years
Leaseholds	Straight Line	over the term of the lease

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Society's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

(ii) Works of art, historic assets, and intangibles

Works of art, historic assets, intangible assets and items that have been purchased, developed, or inherited in right of the Crown are not recorded as assets in these financial statements.

(iii) Inventories held for use

Inventories held for use are recorded at the lower of cost and replacement cost.

Cost includes the original purchase cost, plus shipping and applicable duties. Replacement cost is the estimated current price to replace the items.

BC GAMES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

2. Summary of significant accounting policies (continued)

(e) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred and gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Restricted contributions that must be maintained in perpetuity are recorded as revenue when received or receivable, and are presented as non-financial assets in the statement of financial position.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Donated or discounted goods and services are recorded at fair value.

Receipt of surplus from Summer and Winter Games Societies are recorded at the earlier of cash receipt and final determination of the amount of the surplus.

Investment income includes interest recorded on an accrual basis, realized gains and losses on the sale of investments, and write-downs on investments where the loss in value is determined to be other-than-temporary.

(f) Provincial contributions

The financial statements do not reflect certain administrative expenses incurred and paid directly by the Province of British Columbia in the delivery of the games.

(g) Legacy Funds – Host Communities

Host communities retain 100% of profits from souvenir sales and 50% of their operating surplus, if any, and all interest earned as part of their legacy fund.

(h) Grants to Host Societies

Grants to host societies are recorded as an expense when disbursement of funds has been authorized, eligibility criteria have been met and a reasonable estimate of the amount can be made.

BC GAMES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

2. Summary of significant accounting policies (continued)

(i) Use of estimates

The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, and related disclosures at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Key areas where management has made estimates and assumptions include those related to the useful life of tangible capital assets and commitments. Where actual results differ from these estimates and assumptions, the impact will be recorded in future periods when the difference becomes known.

(j) Budget figures

Annual budget figures are determined by the Society's CEO based on approved funding available, as well as the geographical location of the Society's upcoming games to reflect travel and accommodation expenses for staff and athletes. The Society's budgets for fiscal years 2012 to 2014 were initially approved by the Board of Directors in January 2011 and again in October 2011, when the budget was revised upon finalized provincial funding that was granted to the Society. The initial budget for fiscal 2013 is reflected in the Statement of Operations and Accumulated Surplus and the Statement of Changes in Net Financial Assets.

Budget figures have not been audited, and are presented for comparative and information purposes.

3. Cash and cash equivalents

	2013	2012
Unrestricted cash	\$ 73,569	\$ 654,817
GICs	504,561	-
	<u>\$ 578,130</u>	<u>\$ 654,817</u>

4. Due from other government organizations

The amount due from other government organizations pertains to Harmonized Sales Taxes (HST) which has been paid on the Society's purchases and expenses, net of HST collected from athlete registration revenue.

5. Accounts payable and accrued liabilities

	2013	2012
Trade accounts payable	\$ 32,124	\$ 182,176
Salaries and benefits payable	20,736	20,618
Accrued vacation pay	10,043	6,291
Other accrued liabilities	22,000	20,000
	<u>\$ 84,903</u>	<u>\$ 229,085</u>

BC GAMES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

6. Tangible capital assets

Cost	Registration software	Application software	Computers	Bedding, torch, flags and signs for Host Societies	Furniture and equipment	Cabling	Leasehold improvements	2013 Total
Opening Balance	\$329,881	\$18,913	\$23,049	\$181,966	\$49,755	\$8,436	\$21,444	\$633,444
Additions	16,000	1,928	12,344	-	503	-	-	30,775
Disposals	-	-	(10,375)	-	-	-	-	(10,375)
Adjustments	-	-	-	1,185	(1,185)	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Closing Balance	345,881	20,841	25,018	183,151	49,073	8,436	21,444	653,844
Accumulated amortization								
Opening Balance	306,190	13,145	20,311	99,866	15,508	8,436	17,599	481,055
Amortization	11,532	2,472	3,934	15,248	4,824	-	855	38,865
Disposals	-	-	(10,375)	-	-	-	-	(10,375)
Write-downs	-	-	-	-	-	-	-	-
Closing Balance	317,722	15,617	13,870	115,114	20,332	8,436	18,454	509,545
Net book value	\$28,159	\$5,224	\$11,148	\$68,037	\$28,741	\$-	\$2,990	\$144,299

During the year, \$1,185 was reclassified from furniture to bedding, torch, flags and signs for Host Societies.

BC GAMES SOCIETY
Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

6. Tangible capital assets (continued)

	Registration software	Application software	Computers	Bedding, torch, flags and signs for Host Societies	Furniture and equipment	Cabling	Leasehold improvements	2012 Total
Cost								
Opening Balance	\$329,881	\$18,913	\$23,049	\$169,522	\$32,552	\$8,436	\$17,172	\$599,525
Additions	-	-	-	12,444	17,203	-	4,272	33,919
Disposals	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Closing Balance	329,881	18,913	23,049	181,966	49,755	8,436	21,444	633,444
Accumulated amortization								
Opening Balance	294,077	10,352	17,184	85,284	11,393	8,436	17,172	443,898
Amortization	12,113	2,793	3,127	14,582	4,115	-	427	37,157
Disposals	-	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-	-
Closing Balance	306,190	13,145	20,311	99,866	15,508	8,436	17,599	481,055
Net book value	\$23,691	\$5,768	\$2,738	\$82,100	\$34,247	\$-	\$3,845	\$152,389

BC GAMES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

7. Financial risk management

The Society has exposure to the following risks from its use of financial instruments: interest rate risk, liquidity risk and other price risk.

The Board of Directors ensures that the Society has identified its major risks and ensures that management monitors and controls them.

(a) Interest risk

Interest rate risk is the risk that the rate of return and future cash flows on the Society's GIC investments will fluctuate because of changes in market interest rates. The Society is not exposed to significant interest rate risk relating to its financial assets and liabilities.

(b) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society enters into transactions to purchase goods and services on credit. Liquidity risk is measured by reviewing the Society's future net cash flows for the possibility of a negative net cash flow. The Society manages the liquidity risk resulting from its accounts payable obligations by maintaining significant cash resources and investing in liquid investments.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Price risk is managed by holding investments to maturity.

(d) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

8. Surplus from Host Societies

Surplus from the host societies is comprised of:

	2013	2012
Vernon 2012 Winter Games Society	\$ 101,752	\$ -
Surrey 2012 Summer Games Society	128,960	-
Langley 2010 Summer Games Society	-	61,316
	<u>\$ 230,712</u>	<u>\$ 61,316</u>

BC GAMES SOCIETY

Notes to Financial Statements (continued)

Year ended March 31, 2013, with comparative figures for 2012

9. Expenses by object

The following is a summary of expenses by object:

	2013	2012
Advertising and promotions	\$ 68,066	\$ 48,573
Computer maintenance	8,370	11,390
Amortization	38,865	37,157
Games and operating costs	553,624	437,347
Insurance, leases and utilities	159,911	161,126
Office and business expenses	56,518	66,497
Operating grants	869,500	670,000
Professional services	53,295	31,657
Salaries and employee benefits	720,460	739,995
Travel and accommodation	101,900	102,344
	<u>\$2,630,509</u>	<u>\$2,306,086</u>

10. Contractual obligations

The Society has commitments arising from contractual agreements for office equipment, television advertising, employment services, and a lease for office premises. It is responsible for all operating costs associated with the property lease. These operating costs totalled approximately \$29,950 in 2013 (2012 - \$29,900) and are in addition to the amounts reported below. The Society is also committed to provide funding to host societies for staging of future games events:

	2014	2015	2016	2017	2018
General commitments	\$ 243,290	\$ 121,671	\$ 77,671	\$ 77,671	\$ 77,671
Host Society commitments	440,000	770,000	450,000	780,000	450,000
	<u>\$ 683,290</u>	<u>\$ 891,671</u>	<u>\$ 527,671</u>	<u>\$ 857,671</u>	<u>\$ 527,671</u>

11. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year accumulated surplus.