

**ONTARIO BASKETBALL ASSOCIATION
O/A ONTARIO BASKETBALL
FINANCIAL STATEMENTS**

AUGUST 31, 2015

**ONTARIO BASKETBALL ASSOCIATION
O/A ONTARIO BASKETBALL**

AUGUST 31, 2015

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures and Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8
Schedule of Expenditures	9

ONTARIO BASKETBALL ASSOCIATION O/A ONTARIO BASKETBALL

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Licensed Public Accountant
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INDEPENDENT AUDITOR'S REPORT

To the Members of the
Ontario Basketball Association

We have audited the accompanying financial statements of Ontario Basketball Association, which comprise the statement of financial position as at August 31, 2015, and the statements of operations, net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management and Directors' Responsibility for the Financial Statements

Management and directors are responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management and directors determine are 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 audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

**ONTARIO BASKETBALL ASSOCIATION
O/A ONTARIO BASKETBALL**

INDEPENDENT AUDITOR'S REPORT Continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Basketball Association as at August 31, 2015 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.

London, Ontario
October 29, 2015

Day & Day
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANT

**ONTARIO BASKETBALL ASSOCIATION
O/A ONTARIO BASKETBALL**

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2015

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT		
Cash	\$ 453,883	\$ 228,489
Investments (Note 3)	126,762	125,414
Accounts receivable	34,141	261,094
Inventory	46,051	9,018
Prepaid expenses	<u>92,616</u>	<u>19,665</u>
	753,453	643,680
CAPITAL ASSETS (Note 4)	<u>271,861</u>	<u>289,848</u>
TOTAL ASSETS	<u><u>\$ 1,025,314</u></u>	<u><u>\$ 933,528</u></u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 266,122	\$ 418,483
Government remittances payable	800	371
Deferred revenue (Note 5)	<u>293,356</u>	<u>415,451</u>
TOTAL LIABILITIES	<u>560,278</u>	<u>834,305</u>

NET ASSETS

NET ASSETS	<u>465,036</u>	<u>99,223</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,025,314</u></u>	<u><u>\$ 933,528</u></u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

**ONTARIO BASKETBALL ASSOCIATION
O/A ONTARIO BASKETBALL**

STATEMENT OF REVENUES, EXPENDITURES & NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>	<u>2014</u>
REVENUES		
Competitive development	\$ 1,336,265	\$ 1,318,523
Government grants	538,704	278,014
Membership	453,336	384,311
Merchandising and fund raising	94,451	143,155
Sponsorship and other grants	133,127	107,978
Other income	<u>13,082</u>	<u>3,658</u>
	<u>2,568,965</u>	<u>2,235,639</u>
EXPENDITURES		
Competitive development (Schedule 1)	1,322,546	1,240,911
Administration (Schedule 1)	752,361	814,405
Membership and insurance	79,609	76,698
Merchandising and fund raising	<u>48,636</u>	<u>93,862</u>
	<u>2,203,152</u>	<u>2,225,876</u>
EXCESS OF REVENUES OVER EXPENSES	365,813	9,763
NET ASSETS, beginning of year	<u>99,223</u>	<u>89,460</u>
NET ASSETS, end of year	<u><u>\$ 465,036</u></u>	<u><u>\$ 99,223</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

**ONTARIO BASKETBALL ASSOCIATION
O/A ONTARIO BASKETBALL**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2015

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash provided by operations		
Excess revenues over expenditures	\$ 365,813	\$ 9,763
Add (deduct): charges to income not involving cash		
Amortization	25,844	27,618
Loss (gain) on disposition of capital assets	<u>-</u>	<u>(2,105)</u>
	391,657	35,276
Net change in non-cash working capital		
balances related to operations		
Accounts receivable	226,953	(176,227)
Prepaid expenses	(72,951)	(9,612)
Inventory	(37,033)	19,309
Accounts payable and accrued liabilities	(152,361)	(44,763)
Government remittances payable	429	371
Deferred revenue	<u>(122,095)</u>	<u>183,950</u>
	<u>234,599</u>	<u>8,304</u>
CASH FLOWS APPLIED TO INVESTING ACTIVITIES		
Additions to capital assets	(7,857)	(1,130)
Proceeds on disposal of capital assets	<u>-</u>	<u>13,600</u>
	<u>(7,857)</u>	<u>12,470</u>
INCREASE IN CASH	226,742	20,774
CASH & INVESTMENTS, beginning of year	<u>353,903</u>	<u>333,129</u>
CASH & INVESTMENTS, end of year	<u><u>\$ 580,645</u></u>	<u><u>\$ 353,903</u></u>
 Represented By:		
Cash	\$ 453,883	\$ 228,489
Investments	<u>126,762</u>	<u>125,414</u>
	<u><u>\$ 580,645</u></u>	<u><u>\$ 353,903</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

ONTARIO BASKETBALL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

1. PURPOSE OF THE ORGANIZATION

Ontario Basketball Association is a provincial organization operating programs to lead in the development and promotion of the sport throughout Ontario. Ontario Basketball Association is incorporated in the province of Ontario under The Corporations Act as a not-for-profit organization.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following accounting policies:

(a) Basis of Presentation

The financial statements of the Organization reflect the assets, liabilities, revenues and expenses of the operations of the organization.

(b) Revenue recognition

The Organization follows the deferral method of accounting for grants. Grants are recognized as revenue in the year in which the related expenses are incurred. Program fees are recognized as revenue when the programs are held. Investment income includes interest income, realized investment gains and losses, and where applicable, charges for other than temporary impairment of investments.

(c) Donated services

The Organization benefits greatly from donated services in the form of volunteer work to assist the Ontario Basketball Association in carrying out its service delivery activities. Because of the difficulty in determining their fair value, donated services are not recognized in the financial statements.

(d) Inventory

Inventory consists of books, manuals, score sheets, clothing and miscellaneous items necessary for the conduct of the Organization's operations. Inventory is valued at the lower of cost and net realizable value using the moving average method.

(e) Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Equipment	- 20% declining balance
Computer equipment	- 30% declining balance
Leasehold improvements	- Term of lease and renewals, straight line

ONTARIO BASKETBALL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

(f) Use of Estimates

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In the opinion of management, these financial statements reflect, within reasonable limits of materiality, all adjustments necessary to present fairly the results for the years presented. Actual results could differ from these estimates. Assumptions are used in estimating the collectibility of accounts receivable, accrued liabilities and deferred revenue.

3. INVESTMENTS

Cash and cash equivalents are comprised of cash and money market mutual funds. These investments recorded at fair market value.

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2015</u>	<u>Net 2014</u>
Equipment	\$ 83,306	\$ 56,639	\$ 26,667	\$ 33,334
Computer equipment	34,490	24,468	10,022	8,138
Leasehold improvements	<u>275,076</u>	<u>39,904</u>	<u>235,172</u>	<u>248,376</u>
	<u>\$ 392,872</u>	<u>\$ 121,011</u>	<u>\$ 271,861</u>	<u>\$ 289,848</u>

5. DEFERRED REVENUE

Deferred revenue represents monies received prior to the year end which relate to events which will not occur until after the year end, or specifically will be designated as August 31, 2016 revenues. The deferred revenue for the year is as follows:

	<u>2015</u>	<u>2014</u>
Provincial championships	\$ 50,100	\$ 44,100
Membership fees, registrations and other	12,685	43,025
Government grants	<u>230,571</u>	<u>328,326</u>
	<u>\$ 293,356</u>	<u>\$ 415,451</u>

6. SPONSORSHIPS

The Association's financial statements reflect only cash sponsorships received from various sponsors. During the current fiscal year, the Association received additional donations of products from various sponsors with an approximate retail value of \$191,000.

ONTARIO BASKETBALL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2015

7. LEASE COMMITMENT

The Association has entered into a sublease agreement with Abilities Centre Durham for a five year term commencing March 1, 2013 with two five year renewal terms. The payments at this location over the next five years are as follows:

August 31, 2016 - \$50,000;

August 31, 2017 - \$50,000;

September 1, 2017 to March 31, 2018 - \$29,167 and April 1, 2018 to August 31, 2018 the rent shall be calculated at the market rate which for the five year period from April 1, 2018 to March 31, 2023 shall not exceed \$22.50 per square foot calculated on 2,500 square feet.

8. ECONOMIC DEPENDENCE

The continued operations of the Association depend to a large extent upon the funding that it receives from the Provincial Government. Any significant reduction in this source would significantly curtail the Association's ability to offer a complete range of programs.

9. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk is the risk of potential financial loss caused by fluctuations in fair value future cash flow of financial instruments due to changes in market interest rates. The Organization is exposed to this risk through its interest bearing investments. The Organization manages this risk through investing in securities with chartered financial institutions.

Credit risk

Credit risk is the potential financial loss should a counter-party in a transaction fail to meet its obligations. The Organization places its cash and investments with high quality institutions and believes its exposure is not significant. The Organization's credit risk from receivables is also not significant given the ability of the Organization to recover fees from members and the limited financial exposure with grant and sponsorships receivable.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they become due. The Organization manages this risk by establishing budgets and funding plans and by levying sufficient fees to fund its operating expenses.

ONTARIO BASKETBALL ASSOCIATION O/A ONTARIO BASKETBALL

SCHEDULE OF EXPENDITURES

Schedule 1

AUGUST 31, 2015

	<u>2015</u>	<u>2014</u>
COMPETITIVE DEVELOPMENT		
Awards	\$ 32,042	\$ 43,452
Clinicians	31,687	79,850
Consultants	49,862	-
Fund raising and clinic materials	47,765	36,016
Officials	261,449	260,998
Travel, facility, tournament fees and administration	899,741	819,568
Volunteer development	<u>-</u>	<u>1,027</u>
	<u>\$ 1,322,546</u>	<u>\$ 1,240,911</u>
 ADMINISTRATION		
Amortization	\$ 25,844	\$ 27,618
Bad debt expense	3,883	-
Bank, credit card & payroll service charges	50,972	59,575
Consultants	1,695	11,816
Professional fees	4,974	38,958
Rent, copies, office and other	97,771	101,875
Wages and benefits	557,762	569,238
Website costs	<u>9,460</u>	<u>5,325</u>
	<u>\$ 752,361</u>	<u>\$ 814,405</u>