

Ontario Basketball Association

Financial Statements

August 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Basketball Association

Report on the Financial Statements

We have audited the accompanying financial statements of Ontario Basketball Association, which comprise the statement of financial position as at August 31, 2016, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, 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 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.

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.

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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, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended August 31, 2015 were audited by another accounting firm and are presented for comparative purposes only.

London, Ontario
October 19, 2016

MacNeill Edmundson
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by
Chartered Professional Accountants of Ontario

James B. MacNeill CPA, CA Jeremy A. Giles CPA, CA Lissa Savage CPA, CA
Robert F. Edmundson CPA, CA (Retired)

Ontario Basketball Association
Statement of Financial Position

August 31	Total 2016 (\$)	Total 2015 (\$)
Assets		
Current Assets		
Cash	999,446	453,883
Investments (note 2)	127,713	126,762
Accounts receivable	29,575	34,141
Inventory	22,834	46,051
Prepaid expenses	12,639	92,616
Harmonized sales tax recoverable	7	
	1,192,214	753,453
Capital Assets (note 3)	233,813	271,861
	1,426,027	1,025,314
Liabilities		
Current Liabilities		
Accounts payable	245,743	266,122
Harmonized sales tax payable		800
Deferred revenue (note 4)	391,848	293,356
	637,591	560,278
Net Assets		
Unrestricted	788,436	465,036
	1,426,027	1,025,314

Approved on behalf of the Board:

_____, Director

_____, Director

Ontario Basketball Association

Statement of Revenues and Expenditures and Changes in Net Assets

	Total 2016 (\$)	Total 2015 (\$)
Year ended August 31		
Revenues		
Competitive development	2,130,056	1,336,265
Membership	593,113	453,336
Government grants	435,368	538,704
Sponsorship	200,934	133,127
Merchandising and fundraising	67,779	94,451
Other income	14,948	13,082
Gain (loss) on disposal of capital assets	(21,644)	
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	3,420,554	2,568,965
Expenditures		
Competitive development (schedule 1)	2,088,964	1,322,546
Administration (schedule 1)	892,407	752,361
Membership and insurance	74,658	79,609
Merchandising and fundraising	41,125	48,636
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	3,097,154	2,203,152
Excess of Revenues over Expenditures	323,400	365,813
Net assets, beginning of year	465,036	99,223
Net assets, end of year	788,436	465,036

Ontario Basketball Association

Statement of Cash Flows

Year ended August 31	2016	2015
	(\$)	(\$)
Cash Flows From (Used in) Operating Activities		
Excess of revenues over expenditures	323,400	365,813
Add (deduct): items not affecting cash		
Loss (gain) on disposal of capital assets	21,644	
Amortization	20,692	25,844
	365,736	391,657
Net change in non-cash working capital		
Accounts receivable	4,566	226,953
Inventory	23,217	(37,033)
Prepaid expenses	79,977	(72,951)
Accounts payable and accrued expenses	(20,380)	(152,361)
Harmonized sales tax payable	(807)	429
Deferred revenue	98,492	(122,095)
	185,065	(157,058)
Cash Flows From (Used in) Operating Activities	550,801	234,599
Cash Flows From (Used in) Investing Activities		
Acquisition of capital assets	(7,119)	(7,857)
Proceeds from disposal of capital assets	2,832	
	(4,287)	(7,857)
Cash Flows From (Used in) Investing Activities	(4,287)	(7,857)
Change during year	546,514	226,742
Cash and Investments, beginning of year	580,645	353,903
Cash and Investments, end of Year	1,127,159	580,645
Represented by:		
Cash	999,446	453,883
Investments	127,713	126,762
	1,127,159	580,645

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2016

Purpose of the Organization

Ontario Basketball Association is a provincial organization operating programs to lead in 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.

1. Summary of Significant Accounting Policies

The Association prepares its financial statements in compliance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are as follows.

(a) Revenue Recognition

The Association follows the deferral method of accounting for revenue. 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.

(b) Donated Services

The Association 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 on the financial statements.

(c) Inventory

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

(d) 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	Declining Balance 20%
Computer Equipment	Declining Balance 30%
Leasehold Improvements	Straight line, term of lease and renewals

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Ontario Basketball Association

Notes to the Financial Statements

August 31, 2016

1. Summary of Significant Accounting Policies (continued)

(e) Measurement Uncertainty

The preparation of these financial statements in conformity with Canadian accounting standards 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.

2. Investments

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

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2016 Net (\$)	2015 Net (\$)
Equipment	17,133	7,621	9,512	26,667
Computer Equipment	19,217	11,059	8,158	10,022
Leasehold Improvements	271,110	54,967	216,143	235,172
	307,460	73,647	233,813	271,861

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2016

4. Deferred Revenue

Deferred revenue represents monies received prior to the year end which relate to events which will not occur until after year end, or specifically will be designated as August 31, 2017 revenues. The deferred revenue for the year is as follows:

	2016 (\$)	2015 (\$)
Government grants	334,198	230,571
Provincial championships	51,600	50,100
Membership fees, registrations and other	6,050	12,685
	391,848	293,356

5. Sponsorships

The Organization's financial statements reflect only cash sponsorships received from various sponsors. During the current fiscal year, the Association received donations of products from various sponsors with an approximate retail value of \$191,000 (2015 - \$191,000).

6. Lease Commitments

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, 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.

7. Economic Dependence

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

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2016

8. Financial Instruments

All assets and liabilities, with the exception of prepaid expenses, are financial instruments, and are initially recorded at fair market value and are subsequently recorded at amortized cost. Unless otherwise noted, it is the Board's opinion that the Association is not exposed to significant risks arising from its financial instruments.

Interest Rate Risk

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

Credit Risk

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

Liquidity Risk

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

Ontario Basketball Association

Schedule of expenditures

Schedule 1

August 31, 2016

	2016	2015
	(\$)	(\$)
Competitive Development		
Travel, facility, tournament fees, administration	1,085,086	899,741
Officials	650,467	261,449
Consultants	154,685	49,862
Fundraising and clinic materials	122,308	47,765
Clinicians	36,989	31,687
Awards	39,429	32,042
	2,088,964	1,322,546
Administration		
Salaries and benefits	663,350	557,762
Consultants		1,695
Rent, copies, office, and other	101,839	97,771
Bank, credit card & payroll service charges	66,722	50,972
Website costs	29,417	9,460
Amortization	20,692	25,844
Professional fees	10,387	4,974
Bad debt expense		3,883
	892,407	752,361
