

Ontario Basketball Association

Financial Statements

August 31, 2017

MACNEILL EDMUNDSON

PROFESSIONAL CORPORATION

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, 2017, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Basketball Association as at August 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MacNeill Edmundson

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

London, Ontario
October 25, 2017

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 2017 (\$)	Total 2016 (\$)
Assets		
Current Assets		
Cash	490,160	999,446
Investments (note 2)	500,000	127,713
Accounts receivable	172,774	29,575
Inventory	13,060	22,834
Prepaid expenses		12,639
Harmonized sales tax recoverable	286	7
	1,176,280	1,192,214
Capital Assets (note 3)	221,914	233,813
	1,398,194	1,426,027
Liabilities		
Current Liabilities		
Accounts payable	329,717	245,743
Deferred revenue (note 4)	92,435	391,848
	422,152	637,591
Net Assets		
Unrestricted	976,042	788,436
	1,398,194	1,426,027

Approved on behalf of the Board:

_____, Director

_____, Director

Ontario Basketball Association

Statement of Revenues and Expenditures and Changes in Net Assets

	Total 2017 (\$)	Total 2016 (\$)
Year ended August 31		
Revenues		
Competitive development	2,467,181	2,130,056
Membership	671,080	593,113
Government grants	465,384	435,368
Sponsorship	147,740	200,934
Merchandising and fundraising	95,179	67,779
Other income	28,669	14,948
Gain (loss) on disposal of capital assets		(21,644)
	<u>3,875,233</u>	<u>3,420,554</u>
Expenditures		
Competitive development (schedule 1)	2,524,369	2,088,964
Administration (schedule 1)	1,049,252	892,407
Membership and insurance	94,513	74,658
Merchandising and fundraising	19,493	41,125
	<u>3,687,627</u>	<u>3,097,154</u>
Excess of Revenues over Expenditures	187,606	323,400
Net assets, beginning of year	788,436	465,036
Net assets, end of year	976,042	788,436

Ontario Basketball Association

Statement of Cash Flows

Year ended August 31	2017	2016
	(\$)	(\$)
Cash Flows From (Used in) Operating Activities		
Excess of revenues over expenditures	187,606	323,400
Add (deduct): items not affecting cash		
Loss (gain) on disposal of capital assets		21,644
Amortization	21,439	20,692
	<u>209,045</u>	<u>365,736</u>
Net change in non-cash working capital		
Accounts receivable	(143,199)	4,566
Inventory	9,774	23,217
Prepaid expenses	12,639	79,977
Accounts payable and accrued expenses	83,974	(20,380)
Harmonized sales tax payable	(279)	(807)
Deferred revenue	(299,413)	98,492
	<u>(336,504)</u>	<u>185,065</u>
Cash Flows From (Used in) Operating Activities	<u>(127,459)</u>	<u>550,801</u>
Cash Flows From (Used in) Investing Activities		
Acquisition of capital assets	(9,540)	(7,119)
Proceeds from disposal of capital assets		2,832
Cash Flows From (Used in) Investing Activities	<u>(9,540)</u>	<u>(4,287)</u>
Change during year	<u>(136,999)</u>	<u>546,514</u>
Cash and Investments, beginning of year	<u>1,127,159</u>	<u>580,645</u>
Cash and Investments, end of Year	<u>990,160</u>	<u>1,127,159</u>
Represented by:		
Cash	490,160	999,446
Investments	500,000	127,713
	<u>990,160</u>	<u>1,127,159</u>

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2017

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

(continues)

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Notes to the Financial Statements

August 31, 2017

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

Investments are comprised of term deposits maturing September 2017.

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2017 Net (\$)	2016 Net (\$)
Equipment	19,823	9,793	10,030	9,512
Computer Equipment	26,067	14,534	11,533	8,158
Leasehold Improvements	271,110	70,759	200,351	216,143
	317,000	95,086	221,914	233,813

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August 31, 2017

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:

	2017 (\$)	2016 (\$)
Government grants	36,122	334,198
Provincial championships	52,600	51,600
Membership fees, registrations and other	3,713	6,050
	<u>92,435</u>	<u>391,848</u>

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 \$226,000 (2016 - \$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:

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 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.

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Notes to the Financial Statements

August 31, 2017

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, 2017

	2017 (\$)	2016 (\$)
Competitive Development		
Travel, facility, tournament fees, administration	1,276,531	1,085,086
Officials	756,445	650,467
Consultants	254,610	154,685
Fundraising and clinic materials	157,234	122,308
Awards	48,421	39,429
Clinicians	31,128	36,989
	<u>2,524,369</u>	<u>2,088,964</u>
Administration		
Salaries and benefits	773,118	663,350
Rent, copies, office, and other	100,646	101,839
Bank, credit card & payroll service charges	90,466	66,722
Website costs	48,790	29,417
Amortization	21,439	20,692
Professional fees	14,793	10,387
	<u>1,049,252</u>	<u>892,407</u>
