

Ontario Basketball Association

Financial Statements

August 31, 2018

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, 2018, 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, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

London, Ontario
November 1, 2018

MacNeill Edmundson
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by
The 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 2018 (\$)	Total 2017 (\$)
Assets		
Current Assets		
Cash	310,067	490,160
Investments (note 2)	1,007,856	500,000
Accounts receivable, trade and other	34,106	172,774
Inventory	8,809	13,060
Prepaid expenses and deposits	20,115	
Harmonized sales tax recoverable		286
	1,380,953	1,176,280
Capital Assets (note 3)	210,792	221,914
	1,591,745	1,398,194
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	410,657	329,717
Harmonized sales tax payable	391	
Deferred revenue (note 4)	109,344	92,435
	520,392	422,152
Net Assets		
Unrestricted	1,071,353	976,042
	1,591,745	1,398,194

Approved on behalf of the Board:

_____, Director

_____, Director

Ontario Basketball Association

Statement of Revenues and Expenditures and Changes in Net Assets

	Total 2018 (\$)	Total 2017 (\$)
Year ended August 31		
Revenues		
Competitive development	2,756,565	2,467,181
Membership	682,045	671,080
Government grants	305,675	465,384
Sponsorship	141,550	147,740
Merchandising and fundraising	97,723	95,179
Other income	28,375	28,669
	<u>4,011,933</u>	<u>3,875,233</u>
Expenditures		
Competitive development (schedule 1)	2,604,659	2,524,369
Administration (schedule 1)	1,217,259	1,049,252
Membership and insurance	87,165	94,513
Merchandising and fundraising	7,539	19,493
	<u>3,916,622</u>	<u>3,687,627</u>
Excess of Revenues over Expenditures	95,311	187,606
Net assets, beginning of year	976,042	788,436
Net assets, end of year	1,071,353	976,042

Ontario Basketball Association

Statement of Cash Flows

Year ended August 31	2018	2017
	(\$)	(\$)
Cash Flows From (Used in) Operating Activities		
Excess of revenues over expenditures	95,311	187,606
Add (deduct): items not affecting cash		
Amortization	23,048	21,439
	118,359	209,045
Net change in non-cash working capital		
Accounts receivable	138,668	(143,199)
Inventory	4,251	9,774
Prepaid expenses	(20,115)	12,639
Accounts payable and accrued liabilities	80,940	83,974
Harmonized sales tax payable	677	(279)
Deferred revenue	16,909	(299,413)
	221,330	(336,504)
Cash Flows From (Used in) Operating Activities	339,689	(127,459)
Cash Flows From (Used in) Investing Activities		
Acquisition of capital assets	(11,926)	(9,540)
Change during year	327,763	(136,999)
Cash and Investments, beginning of year	990,160	1,127,159
Cash and Investments, end of Year	1,317,923	990,160
Represented by:		
Cash	310,067	490,160
Investments	1,007,856	500,000
	1,317,923	990,160

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2018

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)

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2018

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 2018 and October 2018.

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2018 Net (\$)	2017 Net (\$)
Equipment	19,823	11,799	8,024	10,030
Computer Equipment	37,993	19,783	18,210	11,533
Leasehold Improvements	271,110	86,552	184,558	200,351
	328,926	118,134	210,792	221,914

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2018

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:

	2018 (\$)	2017 (\$)
Government grants	23,824	36,122
Provincial championships	55,600	52,600
Membership fees, registrations and other	29,920	3,713
	<u>109,344</u>	<u>92,435</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 \$364,000 (2017 - \$226,000).

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 first renewal term will commence March 1, 2019, with an increase to \$22.50 per square foot calculated on 2,500 square feet. The payments required at this location over the next five years are as follows:

August 31, 2019 - \$53,125
August 31, 2020 - \$56,250
August 31, 2021 - \$56,250
August 31, 2022 - \$56,250
August 31, 2023 - \$56,250

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, 2018

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, 2018

	2018	2017
	(\$)	(\$)
Competitive Development		
Travel, facility, tournament fees, administration	1,334,731	1,276,531
Officials	892,665	756,445
Consultants	178,615	254,610
Fundraising and clinic materials	112,282	157,234
Awards	50,567	48,421
Clinicians	35,799	31,128
	<u>2,604,659</u>	<u>2,524,369</u>
Administration		
Salaries and benefits	914,023	773,118
Rent, copies, office, and other	121,844	100,646
Bank, credit card & payroll service charges	106,530	90,466
Website costs	38,529	48,790
Amortization	23,048	21,439
Professional fees	13,285	14,793
	<u>1,217,259</u>	<u>1,049,252</u>
