

**Ontario Basketball Association**

**Financial Statements**

**August 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

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To the Members of Ontario Basketball Association

*Opinion*

We have audited the accompanying financial statements of Ontario Basketball Association (the "Association"), which comprise the statement of financial position as at August 31, 2019, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Basketball Association as at August 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

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

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**INDEPENDENT AUDITOR'S REPORT (continued)**

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*Auditor's Responsibilities of Management for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

London, Ontario  
November 9, 2019

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

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

**Ontario Basketball Association**  
**Statement of Financial Position**

	<b>Total 2019</b>	<b>Total 2018</b>
<b>August 31</b>	<b>(\$)</b>	<b>(\$)</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	167,943	310,067
Investments (note 2)	1,322,976	1,007,856
Accounts receivable, trade and other	13,478	34,106
Inventory	7,153	8,809
Prepaid expenses and deposits		20,115
	1,511,550	1,380,953
<b>Capital Assets (note 3)</b>	<b>245,296</b>	<b>210,792</b>
	<b>1,756,846</b>	<b>1,591,745</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	306,915	410,657
Harmonized sales tax payable	6,860	391
Deferred revenue (note 4)	76,058	109,344
	389,833	520,392
<b>Net Assets</b>		
Unrestricted	1,367,013	1,071,353
	<b>1,756,846</b>	<b>1,591,745</b>

Approved on behalf of the Board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

## Ontario Basketball Association

### Statement of Revenues and Expenditures and Changes in Net Assets

	Total 2019 (\$)	Total 2018 (\$)
<b>Year ended August 31</b>		
<b>Revenues</b>		
Competitive development	3,266,452	2,756,565
Membership	757,435	682,045
Government grants	301,650	305,675
Sponsorship	252,536	141,550
Merchandising and fundraising	110,396	97,723
Other income	51,749	28,375
	<u>4,740,218</u>	<u>4,011,933</u>
<b>Expenditures</b>		
Competitive development (schedule 1)	3,064,344	2,604,659
Administration (schedule 1)	1,290,594	1,217,259
Membership and insurance	82,264	87,165
Merchandising and fundraising	7,356	7,539
	<u>4,444,558</u>	<u>3,916,622</u>
<b>Excess of Revenues over Expenditures</b>	<b>295,660</b>	<b>95,311</b>
<b>Net assets, beginning of year</b>	<b>1,071,353</b>	<b>976,042</b>
<b>Net assets, end of year</b>	<b>1,367,013</b>	<b>1,071,353</b>

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## Ontario Basketball Association

### Statement of Cash Flows

<b>Year ended August 31</b>	<b>2019</b>	<b>2018</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Cash Flows From (Used in) Operating Activities</b>		
Excess of revenues over expenditures	<b>295,660</b>	95,311
Add (deduct): items not affecting cash		
Amortization	<b>27,968</b>	23,048
	<b>323,628</b>	118,359
Net change in non-cash working capital		
Accounts receivable	<b>20,628</b>	138,668
Inventory	<b>1,656</b>	4,251
Prepaid expenses	<b>20,115</b>	(20,115)
Accounts payable and accrued liabilities	<b>(103,742)</b>	80,940
Harmonized sales tax payable	<b>6,469</b>	677
Deferred revenue	<b>(33,286)</b>	16,909
	<b>(88,160)</b>	221,330
<b>Cash Flows From (Used in) Operating Activities</b>	<b>235,468</b>	339,689
<b>Cash Flows From (Used in) Investing Activities</b>		
Acquisition of capital assets	<b>(62,472)</b>	(11,926)
<b>Change during year</b>	<b>172,996</b>	327,763
<b>Cash and Investments, beginning of year</b>	<b>1,317,923</b>	990,160
<b>Cash and Investments, end of Year</b>	<b>1,490,919</b>	1,317,923
<b>Represented by:</b>		
Cash	<b>167,943</b>	310,067
Investments	<b>1,322,976</b>	1,007,856
	<b>1,490,919</b>	1,317,923

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# Ontario Basketball Association

## Notes to the Financial Statements

**August 31, 2019**

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### **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.

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### **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, 2019**

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### 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.

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### 2. Investments

Investments are comprised of term deposits maturing September 2019, October 2019 and November 2019.

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### 3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2019 Net (\$)	2018 Net (\$)
Equipment	19,823	13,403	6,420	8,024
Computer Equipment	39,462	25,103	14,359	18,210
Leasehold Improvements	332,113	107,596	224,517	184,558
	<b>391,398</b>	<b>146,102</b>	<b>245,296</b>	<b>210,792</b>

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# Ontario Basketball Association

## Notes to the Financial Statements

**August 31, 2019**

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#### 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, 2020 revenues. The deferred revenue for the year is as follows:

	2019 (\$)	2018 (\$)
Government grants		23,824
Performance bonds	54,600	55,600
Membership fees, registrations and other	21,458	29,920
	<u>76,058</u>	<u>109,344</u>

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#### 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 \$368,000 (2018 - \$364,000).

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#### 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 commenced 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, 2020 - \$56,250  
August 31, 2021 - \$56,250  
August 31, 2022 - \$56,250  
August 31, 2023 - \$56,250  
August 31, 2024 - \$28,125

The second renewal term will commence on March 1, 2024 and the rent shall be calculated at the market rate which for the five year period from March 1, 2024 to February 28, 2029 shall not exceed \$25.31 per square foot calculated on 2,500 square feet.

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# Ontario Basketball Association

## Notes to the Financial Statements

**August 31, 2019**

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### **7. 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.

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# Ontario Basketball Association

## Schedule of expenditures

Schedule 1

August 31, 2019

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	2019 (\$)	2018 (\$)
<b>Competitive Development</b>		
Travel, facility, tournament fees, administration	1,536,256	1,334,731
Officials	1,081,955	892,665
Consultants	190,402	178,615
Fundraising and clinic materials	153,482	112,282
Awards	78,515	50,567
Clinicians	23,734	35,799
	<u>3,064,344</u>	<u>2,604,659</u>
<b>Administration</b>		
Salaries and benefits	951,176	914,023
Bank, credit card & payroll service charges	118,768	106,530
Rent, copies, office, and other	100,903	121,844
Professional fees	55,401	13,285
Website costs	36,378	38,529
Amortization	27,968	23,048
	<u>1,290,594</u>	<u>1,217,259</u>

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