

**Ontario Basketball Association**

**Financial Statements**

**August 31, 2020**

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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, 2020, 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, 2020 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*  
*Mark Snyders 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  
October 28, 2020

*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*  
*Mark Snyders CPA, CA    Robert F. Edmundson CPA, CA (Retired)*

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

<b>August 31</b>	<b>Total 2020 (\$)</b>	<b>Total 2019 (\$)</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	606,326	167,943
Investments (note 2)	1,039,290	1,322,976
Accounts receivable, trade and other	67,433	13,478
Inventory	5,369	7,153
Prepaid expenses and deposits	5,373	
	1,723,791	1,511,550
<b>Capital Assets (note 3)</b>	<b>227,060</b>	<b>245,296</b>
	<b>1,950,851</b>	<b>1,756,846</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	259,187	306,915
Harmonized sales tax payable	11	6,860
Deferred revenue (note 4)	197,100	76,058
	456,298	389,833
<b>Net Assets</b>		
Unrestricted	1,494,553	1,367,013
	<b>1,950,851</b>	<b>1,756,846</b>

Approved on behalf of the Board:

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

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

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## Ontario Basketball Association

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

	Total 2020 (\$)	Total 2019 (\$)
<b>Year ended August 31</b>		
<b>Revenues</b>		
Competitive development	1,798,367	3,266,452
Membership	749,906	757,435
Government grants	454,905	301,650
Sponsorship	63,685	252,536
Merchandising and fundraising	50,099	110,396
Other income	43,312	51,749
Gain (loss) on disposal of capital assets	(293)	
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	3,159,981	4,740,218
<b>Expenditures</b>		
Competitive development (schedule 1)	1,650,232	3,064,344
Administration (schedule 1)	1,289,300	1,290,594
Membership and insurance	86,718	82,264
Merchandising and fundraising	6,191	7,356
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	3,032,441	4,444,558
<b>Excess of Revenues over Expenditures</b>	127,540	295,660
<b>Net assets, beginning of year</b>	1,367,013	1,071,353
<b>Net assets, end of year</b>	1,494,553	1,367,013

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## Ontario Basketball Association

### Statement of Cash Flows

<b>Year ended August 31</b>	<b>2020</b>	<b>2019</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Cash Flows From (Used in) Operating Activities</b>		
Excess of revenues over expenditures	<b>127,540</b>	295,660
Add (deduct): items not affecting cash		
Loss (gain) on disposal of capital assets	<b>293</b>	
Amortization	<b>28,734</b>	27,968
	<b>156,567</b>	323,628
Net change in non-cash working capital		
Accounts receivable	<b>(53,955)</b>	20,628
Inventory	<b>1,784</b>	1,656
Prepaid expenses	<b>(5,373)</b>	20,115
Accounts payable and accrued liabilities	<b>(47,727)</b>	(103,742)
Harmonized sales tax payable	<b>(6,849)</b>	6,469
Deferred revenue	<b>121,042</b>	(33,286)
	<b>8,922</b>	(88,160)
<b>Cash Flows From (Used in) Operating Activities</b>	<b>165,489</b>	235,468
<b>Cash Flows From (Used in) Investing Activities</b>		
Acquisition of capital assets	<b>(10,792)</b>	(62,472)
<b>Change during year</b>	<b>154,697</b>	172,996
<b>Cash and Investments, beginning of year</b>	<b>1,490,919</b>	1,317,923
<b>Cash and Investments, end of Year</b>	<b>1,645,616</b>	1,490,919
<b>Represented by:</b>		
Cash	<b>606,326</b>	167,943
Investments	<b>1,039,290</b>	1,322,976
	<b>1,645,616</b>	1,490,919

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# Ontario Basketball Association

## Notes to the Financial Statements

**August 31, 2020**

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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, 2020**

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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 2020 and October 2020.

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**3. Capital Assets**

	Cost (\$)	Accumulated Amortization (\$)	2020 Net (\$)	2019 Net (\$)
Equipment	19,823	14,687	5,136	6,420
Computer Equipment	46,185	27,736	18,449	14,359
Leasehold Improvements	332,113	128,638	203,475	224,517
	<b>398,121</b>	<b>171,061</b>	<b>227,060</b>	<b>245,296</b>

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# Ontario Basketball Association

## Notes to the Financial Statements

**August 31, 2020**

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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:

	2020 (\$)	2019 (\$)
Government grants	<b>128,500</b>	
Performance bonds	<b>66,600</b>	54,600
Membership fees, registrations and other	<b>2,000</b>	21,458
	<b>197,100</b>	76,058

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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 \$91,000 (2019 - \$368,000).

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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 four years are as follows:

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, 2020**

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### **7. Financial Impact of COVID-19**

The recent outbreak of Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the association or its members, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the association's business, the continued spread of COVID-19 and the measures taken by the federal, provincial, and municipal governments to contain its impact could adversely impact the association's business, financial condition or results of operations.

Specifically, basketball operations were suspended in March 2020 and are not expected to resume until at least January 2021. As a result, the association has incurred a reduction in revenue and expenses pertaining to program operations and events in fiscal 2020 and is expecting the reduction to continue in fiscal 2021. The association has made adjustments to operations with temporary layoffs of staff, and is currently receiving the Canadian Emergency Wage Subsidy.

The extent to which the COVID-19 outbreak impacts the association's future financial results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

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### **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.

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# Ontario Basketball Association

## Schedule of expenditures

Schedule 1

August 31, 2020

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	2020 (\$)	2019 (\$)
<b>Competitive Development</b>		
Travel, facility, tournament fees, administration	730,769	1,536,256
Officials	653,976	1,081,955
Consultants	107,836	190,402
Fundraising and clinic materials	82,226	153,482
Awards	44,494	78,515
Clinicians	30,931	23,734
	<u>1,650,232</u>	<u>3,064,344</u>
<b>Administration</b>		
Salaries and benefits	957,521	951,176
Bank, credit card & payroll service charges	111,559	118,768
Rent, copies, office, and other	104,076	100,903
Professional fees	61,626	55,401
Amortization	28,734	27,968
Website costs	25,784	36,378
	<u>1,289,300</u>	<u>1,290,594</u>

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