

Ontario Basketball Association

Financial Statements

August 31, 2021

INDEPENDENT AUDITOR'S REPORT

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, 2021, 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, 2021 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)

INDEPENDENT AUDITOR'S REPORT (continued)

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 8, 2021

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

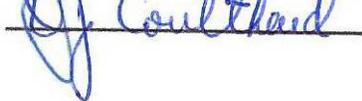
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Ontario Basketball Association
Statement of Financial Position

August 31	Total 2021 (\$)	Total 2020 (\$)
Assets		
Current Assets		
Cash	427,703	606,326
Investments (note 2)	1,044,612	1,039,290
Accounts receivable, trade and other	49,598	67,433
Inventory	5,534	5,369
Prepaid expenses and deposits	13,982	5,373
	1,541,429	1,723,791
Capital Assets (note 3)	199,243	227,060
	1,740,672	1,950,851
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	282,010	259,187
Harmonized sales tax payable	62	11
Deferred revenue (note 6)	76,850	197,100
	358,922	456,298
Net Assets		
Unrestricted	1,381,750	1,494,553
	1,740,672	1,950,851

Approved on behalf of the Board:


 _____, Director


 _____, Director

Ontario Basketball Association

Statement of Revenues and Expenditures and Changes in Net Assets

	Total 2021 (\$)	Total 2020 (\$)
Year ended August 31		
Revenues		
Government grants	607,901	283,289
Government wage and rent subsidies (note 9)	324,915	171,616
Competitive development	90,918	1,798,367
Other income	20,728	43,312
Sponsorship	20,000	63,685
Merchandising and fundraising	1,016	50,099
Gain (loss) on disposal of capital assets		(293)
Membership (refunds)	(34,383)	749,906
	<u>1,031,095</u>	<u>3,159,981</u>
Expenditures		
Administration (schedule 1)	823,094	1,289,300
Competitive development (schedule 1)	210,173	1,650,232
Membership and insurance	30,306	86,718
Merchandising and fundraising	7,318	6,191
	<u>1,070,891</u>	<u>3,032,441</u>
Excess (Deficiency) of Revenues over Expenditures Before Extraordinary Items	(39,796)	127,540
Settlement costs (note 4)	<u>73,007</u>	
Excess (Deficiency) of Revenues over Expenditures After Extraordinary Items	(112,803)	127,540
Net assets, beginning of year	1,494,553	1,367,013
Net assets, end of year	1,381,750	1,494,553

Ontario Basketball Association

Statement of Cash Flows

Year ended August 31	2021	2020
	(\$)	(\$)
Cash Flows From (Used in) Operating Activities		
Excess of revenues over expenditures	(112,803)	127,540
Add (deduct): items not affecting cash		
Loss (gain) on disposal of capital assets		293
Amortization	27,817	28,734
	(84,986)	156,567
Net change in non-cash working capital		
Accounts receivable	17,835	(53,955)
Inventory	(165)	1,784
Prepaid expenses	(8,609)	(5,373)
Accounts payable and accrued liabilities	22,823	(47,727)
Harmonized sales tax payable	51	(6,849)
Deferred revenue	(120,250)	121,042
	(88,315)	8,922
Cash Flows From (Used in) Operating Activities	(173,301)	165,489
Cash Flows From (Used in) Investing Activities		
Acquisition of capital assets		(10,792)
Change during year	(173,301)	154,697
Cash and Investments, beginning of year	1,645,616	1,490,919
Cash and Investments, end of Year	1,472,315	1,645,616
Represented by:		
Cash	427,703	606,326
Investments	1,044,612	1,039,290
	1,472,315	1,645,616

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2021

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, 2021

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 October 2021 and November 2021.

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2021 Net (\$)	2020 Net (\$)
Equipment	19,823	15,714	4,109	5,136
Computer Equipment	46,185	33,271	12,914	18,449
Leasehold Improvements	332,113	149,893	182,220	203,475
	398,121	198,878	199,243	227,060

4. Contingent Liability

During the period, a former employee and the Association entered into severance package negotiations. These negotiations are ongoing, with the expected settlement amount ranging from \$45,436 to \$105,663. The settlement is expected to finalize in fiscal 2022. An accrual of \$73,007 has been made in the current fiscal period, which represents the best estimate for the settlement amount as at the financial statement date.

5. Comparative Figures

Some prior period figures have been reclassified to conform with current year presentation.

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2021

6. 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, 2022 revenues. The deferred revenue for the year is as follows:

	2021 (\$)	2020 (\$)
Performance bonds	68,600	66,600
Membership fees, registrations and other	8,250	2,000
Government grants		128,500
	76,850	197,100

7. Sponsorships

The Organization's financial statements reflect only cash sponsorships received from various sponsors. The Association did not receive any donations of products in the current fiscal year (2020 - \$91,000).

8. 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 three years are as follows:

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.

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2021

9. Financial Impact of COVID-19

The 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 were not resumed at any point throughout the current fiscal period. As a result, the association has incurred a significant reduction in revenue and expenses pertaining to program operations and events in fiscal 2021. The effects of COVID-19 were offset with temporary layoffs, as well as usage of government wage and rent subsidies. It is expected that operating activity should begin to return to normal in fiscal 2022 as Ontario has gradually lifted COVID-19 related restrictions.

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.

10. 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, 2021

	2021	2020
	(\$)	(\$)
Competitive Development		
Consultants	103,805	107,836
Travel, facility, tournament fees, administration	72,856	730,769
Fundraising and clinic materials	27,884	82,226
Officials	4,998	653,976
Clinicians	630	30,931
Awards		44,494
	<u>210,173</u>	<u>1,650,232</u>
Administration		
Salaries and benefits	617,561	957,521
Rent, copies, office, and other	87,220	104,076
Professional fees	58,954	61,626
Amortization	27,817	28,734
Website costs	22,101	25,784
Bank, credit card & payroll service charges	9,241	111,559
Donations	200	
	<u>823,094</u>	<u>1,289,300</u>
