

Ontario Basketball Association

Financial Statements

August 31, 2022

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, 2022, 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, 2022 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.

(continues)

Jeremy A. Giles CPA, CA Lissa Savage CPA, CA, CPA (Illinois)

Mark Snyders CPA, CA Dillon O'Henry CPA, CA

James B. MacNeill FCPA, FCA, CFP (Counsel) 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
February 1, 2023

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

Jeremy A. Giles CPA, CA Lissa Savage CPA, CA, CPA (Illinois)

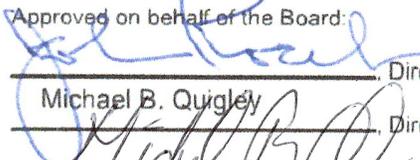
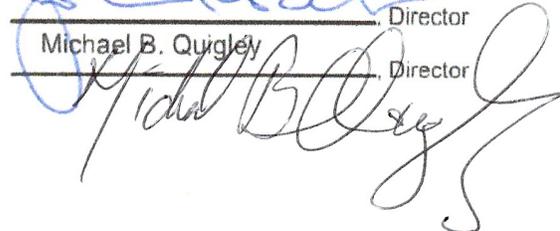
Mark Snyders CPA, CA Dillon O'Henly CPA, CA

James B. MacNeill FCPA, FCA, CFP (Counsel) Robert F. Edmundson CPA, CA (Retired)

Ontario Basketball Association
Statement of Financial Position

August 31	Total 2022 (\$)	Total 2021 (\$)
Assets		
Current Assets		
Cash	327,876	427,703
Investments (note 2)	1,000,000	1,044,612
Accounts receivable, trade and other	194,342	49,598
Inventory	2,517	5,534
Prepaid expenses and deposits	6,107	13,982
	1,530,842	1,541,429
Capital Assets (note 3)	176,337	199,243
	1,707,179	1,740,672
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	422,611	282,010
Harmonized sales tax payable	50	62
Deferred revenue (note 5)	82,125	76,850
	504,786	358,922
Net Assets		
Unrestricted	1,202,393	1,381,750
	1,707,179	1,740,672

Approved on behalf of the Board:


 _____, Director
 Michael B. Quigley

 _____, Director

Ontario Basketball Association

Statement of Revenues and Expenditures and Changes in Net Assets

	Total 2022 (\$)	Total 2021 (\$)
Year ended August 31		
Revenues		
Competitive development	2,821,242	90,918
Membership (refunds)	582,530	(34,383)
Government grants	448,776	607,901
Sponsorship	235,815	20,000
Government wage and rent subsidies	166,864	324,915
Other income	37,819	20,728
Merchandising and fundraising	29,935	1,016
	<u>4,322,981</u>	<u>1,031,095</u>
Expenditures		
Competitive development (schedule 1)	3,053,348	210,173
Administration (schedule 1)	1,346,638	823,094
Membership and insurance	98,213	30,306
Merchandising and fundraising	4,139	7,318
	<u>4,502,338</u>	<u>1,070,891</u>
Excess (Deficiency) of Revenues over Expenditures Before Extraordinary Items	(179,357)	(39,796)
Settlement costs (note 4)		73,007
Excess (Deficiency) of Revenues over Expenditures After Extraordinary Items	(179,357)	(112,803)
Net assets, beginning of year	1,381,750	1,494,553
Net assets, end of year	1,202,393	1,381,750

Ontario Basketball Association

Statement of Cash Flows

Year ended August 31	2022	2021
	(\$)	(\$)
Cash Flows From (Used in) Operating Activities		
Excess of revenues over expenditures	(179,357)	(112,803)
Add (deduct): items not affecting cash		
Amortization	27,107	27,817
	(152,250)	(84,986)
Net change in non-cash working capital		
Accounts receivable	(144,744)	17,835
Inventory	3,017	(165)
Prepaid expenses	7,875	(8,609)
Accounts payable and accrued liabilities	140,601	22,823
Harmonized sales tax payable	(12)	51
Deferred revenue	5,275	(120,250)
	12,012	(88,315)
Cash Flows From (Used in) Operating Activities	(140,238)	(173,301)
Cash Flows From (Used in) Investing Activities		
Acquisition of capital assets	(4,201)	
Change during year	(144,439)	(173,301)
Cash and Investments, beginning of year	1,472,315	1,645,616
Cash and Investments, end of Year	1,327,876	1,472,315
Represented by:		
Cash	327,876	427,703
Investments	1,000,000	1,044,612
	1,327,876	1,472,315

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2022

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, 2022

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 2022.

3. Capital Assets

	Cost (\$)	Accumulated Amortization (\$)	2022 Net (\$)	2021 Net (\$)
Equipment	19,823	16,536	3,287	4,109
Computer Equipment	50,386	38,304	12,082	12,914
Leasehold Improvements	332,113	171,145	160,968	182,220
	402,322	225,985	176,337	199,243

4. Contingent Liability

During the prior period, a former employee and the Association entered into severance package negotiations. These negotiations were settled in the current year and no further payments are expected.

During the period, a former employee and the Association entered into severance package negotiations. These negotiations are ongoing, with the expected settlement ranging from \$10,000 to \$80,000. As the settlement amount unknown at this time, no accrual has been made in the current fiscal period.

Ontario Basketball Association

Notes to the Financial Statements

August 31, 2022

5. 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, 2023 revenues. The deferred revenue for the year is as follows:

	2022 (\$)	2021 (\$)
Performance bonds	82,125	68,600
Membership fees, registrations and other		8,250
	<u>82,125</u>	<u>76,850</u>

6. 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 \$90,700 (2021- \$nil).

7. 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 two years are as follows:

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, 2022

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, 2022

	2022	2021
	(\$)	(\$)
Competitive Development		
Travel, facility, tournament fees, administration	1,779,551	72,856
Officials	911,653	4,998
Consultants	195,748	103,805
Fundraising and clinic materials	108,903	27,884
Awards	38,486	
Clinicians	19,007	630
	3,053,348	210,173
Administration		
Salaries and benefits	943,478	617,561
Rent, copies, office, and other	116,290	87,220
Professional fees	111,531	58,954
Bank, credit card & payroll service charges	108,347	9,241
Website costs	33,546	22,101
Amortization	27,107	27,817
Donations	6,339	200
	1,346,638	823,094
