

The Canadian Soccer Association Incorporated

Financial Statements
December 31, 2019



Independent auditor's report

To the Stakeholders of The Canadian Soccer Association Incorporated

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Canadian Soccer Association Incorporated (the Association) as at December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related 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.

Auditor's responsibilities 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
March 21, 2020

The Canadian Soccer Association Incorporated

Statement of Financial Position

As at December 31, 2019

	2019 \$	2018 \$
Assets		
Current assets		
Cash	2,873,973	3,823,647
Guaranteed investment certificates (note 3)	7,058,562	7,000,000
Accounts receivable (note 5)	1,937,027	1,046,971
Inventory	11,423	1,183
Prepaid expenses	545,766	224,372
	<u>12,426,751</u>	<u>12,096,173</u>
Capital assets (note 4)	<u>626,187</u>	<u>637,200</u>
	<u>13,052,938</u>	<u>12,733,373</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,465,022	1,859,974
Deferred revenue	1,101,477	988,549
	<u>3,566,499</u>	<u>2,848,523</u>
Deferred contributions related to capital assets (note 6)	<u>130,728</u>	<u>138,897</u>
	<u>3,697,227</u>	<u>2,987,420</u>
Net Assets		
Unrestricted	7,393,033	7,747,650
Internally restricted – reserve (note 10)	1,500,000	1,500,000
Invested in capital assets	462,678	498,303
	<u>9,355,711</u>	<u>9,745,953</u>
	<u>13,052,938</u>	<u>12,733,373</u>
Commitments and contingencies (note 8)		

Approved by the Board of Directors

 Director 

The accompanying notes are an integral part of these financial statements.

The Canadian Soccer Association Incorporated

Statement of Changes in Net Assets

For the year ended December 31, 2019

	Balance – Beginning of year \$	Net expense for the year \$	Balance – End of year \$
Unrestricted	7,747,650	(354,617)	7,393,033
Invested in capital assets	498,303	(35,625)	462,678
Internally restricted – reserve (note 10)	1,500,000	-	1,500,000
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	9,745,953	(390,242)	9,355,711
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The accompanying notes are an integral part of these financial statements.

The Canadian Soccer Association Incorporated

Statement of Operations

For the year ended December 31, 2019

	2019 \$	2018 \$
Revenue		
Player fees	7,286,057	7,370,460
Commercial and other fees (note 7)	8,900,086	5,996,067
Government grants	3,588,062	3,638,559
FIFA and CONCACAF grants	4,438,666	2,692,276
FIFA World Cup 2026	170,700	-
	<u>24,383,571</u>	<u>19,697,362</u>
Expense		
Men's teams	6,273,377	4,051,978
Women's teams	5,888,916	4,576,487
Other teams and sporting equipment (note 7)	2,421,748	2,286,970
Technical and development projects	2,126,945	1,816,744
Staging, marketing and communications	3,043,991	3,059,318
FIFA World Cup Bid 2026	-	1,211,995
FIFA World Cup 2026	121,668	49,032
Competitions	1,183,418	1,171,639
Administration and meetings	3,713,750	3,107,054
	<u>24,773,813</u>	<u>21,331,217</u>
Net expense for the year	<u>(390,242)</u>	<u>(1,633,855)</u>

The accompanying notes are an integral part of these financial statements.

The Canadian Soccer Association Incorporated

Statement of Cash Flows

For the year ended December 31, 2019

	2019 \$	2018 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expense	(390,242)	(1,633,855)
Items not affecting cash		
Amortization of capital assets	43,795	45,076
Amortization of deferred contributions related to capital assets	(8,169)	(8,234)
Change in non-cash working capital items		
Accounts receivable	(890,056)	824,489
Inventory	(10,240)	4,740
Prepaid expenses	(321,394)	(36,505)
Accounts payable and accrued liabilities	605,048	517,619
Deferred revenue	219,856	761,669
	<u>(858,330)</u>	<u>474,999</u>
Investing activities		
Purchase of capital assets	(32,782)	(31,720)
Purchase of guaranteed investment certificate	(7,058,562)	(7,000,000)
Proceeds on redemption of guaranteed investment certificate	7,000,000	8,000,000
	<u>(91,344)</u>	<u>968,280</u>
Change in cash during the year	(949,674)	1,443,279
Cash – Beginning of year	3,823,647	2,380,368
Cash – End of year	<u>2,873,973</u>	<u>3,823,647</u>

The accompanying notes are an integral part of these financial statements.

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2019

1 Purpose of the Association

The mission of The Canadian Soccer Association Incorporated (the Association), in partnership with its members, is to promote the growth and development of soccer for all Canadians at all levels and to provide leadership and good governance for the sport. The Association is incorporated under the provisions of the Canada Not-for-profit Corporations Act and, as a Registered Canadian Amateur Athletic Association under the Income Tax Act Canada, is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results may differ from those estimates.

Cash

Cash includes cash on hand and deposits with banks.

Guaranteed investment certificates

Guaranteed investment certificates are measured at amortized cost. Interest income is recognized in the statement of operations in the year earned.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Capital assets

Capital assets are recorded at cost and then amortized over their estimated useful lives, on a straight-line basis, as follows:

Building	40 years
Building improvements	10 years
Furniture and equipment	3 years

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2019

Revenue recognition

The Association follows the deferral method of accounting for restricted contributions. Restricted contributions are recognized as revenue in the year in which the related events take place or the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributed soccer equipment, hosting services, transportation, essential federal services, team supplies and advertising are recorded at their fair values.

3 Guaranteed investment certificates

	2019 \$	2018 \$
Guaranteed investment certificates, bearing interest rates from 1.6% to prime less 2.7%, maturing in 2020 (2018 – from 1.4% to prime less 2.7%)	7,058,562	7,000,000

4 Capital assets

	2019		
	Cost \$	Accumulated amortization \$	Net \$
Land	255,998	-	255,998
Building	615,171	362,695	252,476
Building improvements	363,334	256,781	106,553
Furniture and equipment	364,995	353,835	11,160
	1,599,498	973,311	626,187
	2018		
	Cost \$	Accumulated amortization \$	Net \$
Land	255,998	-	255,998
Building	615,171	347,315	267,856
Building improvements	330,553	238,939	91,614
Furniture and equipment	364,994	343,262	21,732
	1,566,716	929,516	637,200

5 Government remittances

Government remittances of \$nil (2018 – \$7,525) are included in accounts payable and accrued liabilities.

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2019

6 Deferred contributions related to capital assets

In 1996, the Association received contributions of \$320,958 for the purchase of the present office building. These contributions have been deferred and are being amortized over 40 years, the same amortization period as the related building.

	\$
Balance – Beginning of year	138,897
Amortization of deferred contributions for the year	<u>(8,169)</u>
Balance – End of year	<u>130,728</u>

7 Contributed goods and services

Contributed goods and services (soccer equipment, hosting services, transportation, essential federal services and team supplies) of \$2,000,000 (2018 – \$1,702,674) have been recognized in both revenue and expense in the statement of operations. The revenue is included in commercial and other fees. The expense is included in other teams and sporting equipment. The change in commercial and other fees is primarily attributable to sponsorship and international television rights.

8 Commitments and contingencies

Commitments

- i) The Association is committed under leases for equipment as follows:

	\$
2020	51,929
2021	41,391
2022	-
2023	-
2024	-

- ii) The Association has signed a funding agreement, effective January 1, 2019 and expiring December 31, 2027, with the Canadian premier league, C.P.L. Soccer. This funding agreement stipulates that the Association provide funding of \$350,000 per annum.

Contingencies

In the normal course of operations, the Association is threatened from time to time with, or named as a defendant in, legal proceedings. The Association has been named in one lawsuit, the outcome of which cannot be determined at this time. It is expected that any liability arising from this lawsuit should be covered by the Association's liability insurance.

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2019

9 Financial instruments

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Association's cash is held with a Canadian chartered bank; therefore, management considers the likelihood of non-performance to be remote. The Association deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. As at December 31, 2019, 59% of accounts receivable is owing from three debtors (2018 – 69% owing from three debtors). As at December 31, 2019, the allowance for doubtful accounts is \$653,000 (2018 – \$653,000) and has been recorded against accounts receivable on the statement of financial position.

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Cash denominated in United States dollars amounted to \$31,384 (2018 – \$25,941).

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Association's guaranteed investment certificates contain variable interest rates based on the bank's prime rate. As a result, the Association is exposed to interest rate risk due to fluctuations in the bank's prime rate.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget forecasts to ensure it has sufficient funds to fulfill its obligations. The Association relies on cash flows from operations and its reserves to provide cash required to meet liabilities as they fall due.

10 Internally restricted net assets

The utilization of the reserve is subject to membership approval. These funds may be used for short-term cash flow needs for the purpose of minimizing financing expense.