

The Canadian Soccer Association Incorporated

Financial Statements
December 31, 2023



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, 2023 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, 2023;
- 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 significant accounting policies and other explanatory information.

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.

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



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.

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
April 4, 2024

The Canadian Soccer Association Incorporated

Statement of Financial Position

As at December 31, 2023

	2023 \$	2022 \$
Assets		
Current assets		
Cash	5,243,148	2,423,986
Guaranteed investment certificates (note 3)	8,282,526	4,006,233
Accounts receivable (note 11)	7,924,419	16,336,619
Prepaid expenses	35,584	51,683
	21,485,677	22,818,521
Capital assets (note 4)	659,120	704,750
	22,144,797	23,523,271
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	7,597,731	14,470,956
Deferred revenue	1,790,792	426,072
FIFA loan (note 6)	6,613,000	-
	16,001,523	14,897,028
Deferred contributions related to capital assets (note 7)	98,045	106,216
	16,099,568	15,003,244
Net Assets		
Unrestricted	3,984,154	6,421,493
Internally restricted – reserve (note 10)	1,500,000	1,500,000
Invested in capital assets	561,075	598,534
	6,045,229	8,520,027
	22,144,797	23,523,271
Commitments and contingencies (note 9)		

Approved by the Board of Directors

 Director  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, 2023

	2023		
	Unrestricted \$	Internally restricted – reserve \$ (note 10)	Invested in capital assets \$
Balance – Beginning of year	6,421,493	1,500,000	598,534
Deficiency of revenue over expense for the year	(2,437,339)	-	(37,459)
Balance – End of year	3,984,154	1,500,000	561,075

	2022		
	Unrestricted \$	Internally restricted – reserve \$ (note 10)	Invested in capital assets \$
Balance – Beginning of year	12,695,556	1,500,000	661,819
Deficiency of revenue over expense for the year	(6,274,063)	-	(63,285)
Balance – End of year	6,421,493	1,500,000	598,534

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, 2023

	2023 \$	2022 \$
Revenue		
Player fees	7,060,063	6,602,105
Commercial and other fees (note 8)	15,844,663	16,102,308
Government grants	3,880,866	5,057,921
FIFA and Concacaf grants	7,424,564	18,464,438
FIFA World Cup 2026	294,690	1,363,815
	<u>34,504,846</u>	<u>47,590,587</u>
Expense		
Men's teams ⁽¹⁾	9,607,273	18,527,394
Women's teams	8,684,106	14,028,608
Other teams and sporting equipment (note 8)	2,151,726	2,012,120
Technical and development projects ⁽¹⁾	4,495,671	4,853,034
Staging, marketing and communications	4,622,461	8,044,836
FIFA World Cup 2026	342,549	1,298,717
Competitions	1,442,816	1,283,722
General and administrative	5,839,949	3,879,504
	<u>37,186,551</u>	<u>53,927,935</u>
Total operating income	(2,681,705)	(6,337,348)
Foreign exchange gain	206,907	-
Deficiency of revenue over expense for the year	<u>(2,474,798)</u>	<u>(6,337,348)</u>

⁽¹⁾ Comparative figures have been reclassified in order to conform to the current period presentation.

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, 2023

	2023 \$	2022 \$
Cash provided by (used in)		
Operating activities		
Deficiency of revenue over expense	(2,474,798)	(6,337,348)
Items not affecting cash		
Amortization of capital assets	71,456	71,455
Amortization of deferred contributions related to capital assets	(8,171)	(8,170)
Accrued interest	(282,526)	-
Foreign exchange gain	(206,907)	-
Changes in non-cash working capital items		
Accounts receivable	8,412,200	(11,737,584)
Prepaid expenses	16,099	375,962
Accounts payable and accrued liabilities	(6,873,225)	11,355,623
Deferred revenue	1,364,720	(1,345,938)
	<u>18,848</u>	<u>(7,626,000)</u>
Investing activities		
Purchase of capital assets	(25,826)	-
Purchase of guaranteed investment certificate	(10,000,000)	(3,006,233)
Proceeds on redemption of guaranteed investment certificate	6,006,233	6,000,000
	<u>(4,019,593)</u>	<u>2,993,767</u>
Financing activity		
Proceeds from drawdown of FIFA loan	6,743,500	-
Change in cash during the year	<u>2,742,755</u>	<u>(4,632,233)</u>
Effect of exchange rate changes on cash	76,407	-
Cash – Beginning of year	<u>2,423,986</u>	<u>7,056,219</u>
Cash – End of year	<u>5,243,148</u>	<u>2,423,986</u>

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

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2023

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 as set out in Part III of the CPA Canada Handbook – Accounting, and include the significant accounting policies described below.

Use of estimates

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

Foreign currency translation

Foreign currency translations and balances are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year-end exchange rates and non-monetary assets and liabilities are translated at the exchange rates prevailing at the transaction date. Revenues and expenses are translated at the exchange rates prevailing at the transaction date. Any gains or losses arising from the translation of foreign currency are recognized in net income.

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.

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2023

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

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposal. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Impairments of long-lived assets are not reversed.

Financial instruments

Recognition and derecognition

A financial asset or a financial liability is initially recognized when the Association becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished.

Measurement

The Association initially measures financial assets and financial liabilities at fair value. These financial assets and liabilities are subsequently measured at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents, guaranteed investment certificates and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and FIFA loan.

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.

Player fees and revenue from sponsorship agreements are recognized on a straight-line basis over the term of the contract.

Contributed soccer equipment, hosting services, transportation, essential federal services, team supplies and advertising are recorded at their fair values.

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Notes to Financial Statements

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Revenue from sales and service transactions is only recognized when the requirements as to performance are satisfied and when at the time of performance ultimate collection is reasonably assured. Revenue for electronic course material is recorded when the material is delivered to the students. Revenue related to the practical training component, when applicable, is recognized as training is provided to students.

On January 1, 2019, the Association entered into a representation agreement with CSB LP (CSB). Under the agreement, the Association grants CSB broadcasting and sponsorship rights and allows CSB to act as the Association's exclusive agent and representative with respect to those broadcasting and sponsorship rights for the term of the agreement. Under the agreement, CSB is allowed to retain any and all revenue from any agreement negotiated and/or signed in connection with the representation, including all revenue generated pursuant to sponsorship agreements and broadcasting agreements. The initial term of the agreement is for nine years to December 1, 2027, with a possible extension, at the discretion of CSB, to December 31, 2037.

In exchange, the Association is entitled to receive an annual sponsorship guarantee payments (between \$3 to \$4 million annually), and certain other payments, including payments in relation to international broadcast rights starting in 2023, and a potential earn out payment due at the end of the initial term. In addition, the Association is entitled to receive additional funding amounts from CSB, no less than the amounts received by a single Canadian Premier League (CPL) founding team (the CSA Interest). To date, no additional funding has been received under the CSA Interest, and management does not believe it is likely to receive funding under the CSA Interest in the future.

For the year ended December 31, 2023, \$3,250,000 of revenue was recorded in relation to the agreement (2022 – \$3,200,000).

3 Guaranteed investment certificates

	2023 \$	2022 \$
Guaranteed investment certificates, bearing interest rates at RBC's prime rate minus 2.00%, maturing in 2024 (2022 – prime minus 2.00%, matured in 2023)	8,282,526	4,006,233

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Notes to Financial Statements

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4 Capital assets

	2023		
	Cost \$	Accumulated amortization \$	Net \$
Land	255,998	-	255,998
Building	615,171	421,928	193,243
Building improvements	665,887	469,398	196,489
Furniture and equipment	304,521	291,131	13,390
	1,841,577	1,182,457	659,120

	2022		
	Cost \$	Accumulated amortization \$	Net \$
Land	255,998	-	255,998
Building	615,171	407,528	207,643
Building improvements	652,792	411,683	241,109
Furniture and equipment	287,896	287,896	-
	1,811,857	1,107,107	704,750

5 Government remittances

Government remittances of \$nil are included in accounts payable and accrued liabilities (2022 – \$nil).

6 FIFA loan

On June 19, 2023, the Association entered into a loan agreement with Fédération Internationale de Football Association (FIFA). Under the loan agreement, FIFA provided US\$5,000,000 to the Association as part of Stage 3 of the FIFA COVID-19 Relief Plan, to help alleviate the economic effects of the global COVID-19 pandemic. The loan is repayable within eight years and does not bear interest.

Under the loan agreement, FIFA retains the right to early repayment on demand, as well as to reduce, deduct, and/or set-off against any amount allocated or owed by FIFA to the Association, including under any entitlement arising from prize money resulting from participation in FIFA competitions or from entitlements arising from a FIFA programme. FIFA did not elect early repayment or choose to set-off future funding entitlements or prize money against debt repayments in the year ended December 31, 2023.

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Under the loan agreement, US\$4,000,000 (CA\$5,394,800) of the loan proceeds is required to be spent on the participation of national teams of all age categories in restarted competitions and US\$1,000,000 (CA\$1,348,700) is required to be spent on the payment of staff costs and the (re-)hiring of essential staff where necessary. As at December 31, 2023, \$3,756,838 of the amount required to be spent on national teams has been spent on costs associated with the men's national team, and \$1,637,962 remains to be spent. As at December 31, 2023, the entire \$1,348,700 of the amount to be spent on staff costs remains to be spent.

Assuming funding payments are not offset, and early repayment is not demanded, regular principal payments are required within the next eight years as follows:

	US\$
Years ending December 31, 2027	1,000,000
2028	1,000,000
2029	1,000,000
2030	1,000,000
2031	1,000,000

7 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	106,216
Amortization of deferred contributions for the year	<u>(8,171)</u>
Balance – End of year	<u>98,045</u>

8 Contributed goods and services

Contributed goods and services (soccer equipment, hosting services, transportation, essential federal services and team supplies) of \$1,869,238 (2022 – \$1,717,419) 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.

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Notes to Financial Statements

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9 Commitments and contingencies

Commitments

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

	\$
Years ending December 31, 2024	64,073
2025	81,874
2026	72,781

- b) The Association signed a funding agreement, for the period from January 1, 2019 to December 31, 2027 with Canadian Premier League, C.P.L. Soccer LP (CPL), to further the Association's goals as a not-for-profit organization to promote, develop and foster soccer in Canada. The funding agreement requires an annual contribution of \$1 million to CPL, which consists of a \$350,000 general funding requirement, as well as up to an additional \$650,000 to support CPL in delivery of the FIFA Forward development programme.

In the event that the aggregate annual contribution made to CPL under the funding agreement is less than \$1.5 million, amounts are accrued and applied against any future funding the Association would be eligible to receive from CSB under the CSA Interest.

Under the FIFA loan agreement, as disclosed at note 6, the Association is required to spend \$1,637,962 of the remaining loan proceeds on the participation of national teams of all age categories in restarted competitions and \$1,348,700 on the payment of staff costs and the (re-)hiring of essential staff where necessary.

Contingencies

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

On February 16, 2024, the Canadian Soccer Players' Association (CSPA) filed an application for leave to commence a derivative action in the name of and on behalf of the Association against fifteen current and former members of the Association's Board of Directors. Subsequent to this filing, on February 20, 2024, the CSPA issued a statement of claim in the Ontario Superior Court, alleging that certain current and former Board members breached their fiduciary duty to the Association in approving the CSB representation agreement (note 2) in 2019. The CSPA did not name the Association as a defendant in the statement of claim. The Association maintains coverage under Directors and Officers (D&O) insurance policies for its Directors and the claim is being handled in accordance with the terms of those policies.

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2023

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 expenses.

11 Financial instruments

The Association's financial instruments expose it to a variety of financial risks.

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. Financial instruments that potentially subject the Association to credit risk consist principally of cash, guaranteed investment certificates and accounts receivable. The Association deals with creditworthy counterparties to mitigate the risk of financial loss from defaults.

The Association's cash and guaranteed investment certificates are held with a Canadian chartered bank; therefore, management considers the likelihood of non-performance to be remote.

As at December 31, 2023, 75% of accounts receivable is owing from four debtors (2022 – 86% owing from three debtors). As at December 31, 2023, the allowance for doubtful accounts is \$2,107,567 (2022 – \$3,507,567) and has been recorded against accounts receivable on the statement of financial position.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The Association is exposed to currency risk and interest rate risk.

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. Currency risk arises when financial assets or financial liabilities are denominated in a currency other than Canadian dollars. The following summarizes the Association's financial instruments denominated in foreign currencies as at December 31, 2023:

- Cash denominated in US dollars amounted to \$809,988 (2022 – \$567,813).
- FIFA loan denominated in US dollars amounted to \$6,613,000 (2022 – \$nil).

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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 cash and 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. The FIFA loan does not bear interest.

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities and FIFA loan. 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.

As described in note 6, FIFA has the right to demand early repayment of the loan as well as the right to set-off amounts owed to the Association, including entitlements arising from a FIFA programme or from participation in FIFA competitions. FIFA did not demand early repayment of the loan or elect to offset any amounts in the year ended December 31, 2023 and the Association does not expect FIFA to do so in the future.