

ONTARIO VOLLEYBALL ASSOCIATION
Financial Statements
Year Ended August 31, 2018

ONTARIO VOLLEYBALL ASSOCIATION
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Year Ended August 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Ontario Volleyball Association

We have audited the accompanying financial statements of Ontario Volleyball Association, which comprise the statement of financial position as at August 31, 2018 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Volleyball Association as at August 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

London, Ontario
November 26, 2018

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

James B. MacNeill CPA, CA Jeremy A. Giles CPA, CA Lissa Savage CPA, CA
Robert F. Edmundson CPA, CA (Retired)

ONTARIO VOLLEYBALL ASSOCIATION
Statement of Financial Position
August 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 353,457	\$ 742,738
Investments (Note 2)	571,111	419,350
Accounts receivable	560,820	318,926
Inventory	11,909	11,690
Interest receivable	11,830	24,729
Harmonized sales tax recoverable	75,567	73,722
Prepaid expenses	129,092	46,083
	<u>1,713,786</u>	<u>1,637,238</u>
CAPITAL ASSETS (Note 3)	375,914	250,438
INTANGIBLE ASSETS (Note 4)	24,000	-
LONG TERM INVESTMENTS (Note 2)	536,348	651,848
DEPOSITS	90,263	109,353
	<u>\$ 2,740,311</u>	<u>\$ 2,648,877</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 832,492	\$ 764,221
Deferred revenue (Note 5)	61,082	123,203
Payable to members	276,216	252,732
	<u>1,169,790</u>	<u>1,140,156</u>
DEFERRED REVENUE (Note 5)	60,202	4,016
	<u>1,229,992</u>	<u>1,144,172</u>
NET ASSETS		
Contingency reserve fund (Note 6)	1,510,319	1,504,705
	<u>\$ 2,740,311</u>	<u>\$ 2,648,877</u>

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

MACNEILL EDMUNDSON
 PROFESSIONAL CORPORATION

ONTARIO VOLLEYBALL ASSOCIATION
Statement of Changes in Net Assets
Year Ended August 31, 2018

	<u>2018</u>	<u>2017</u>
NET ASSETS - BEGINNING OF YEAR	\$ 1,504,705	\$ 1,463,783
Excess of revenue over expenditures	<u>5,614</u>	<u>40,922</u>
NET ASSETS - END OF YEAR	<u>\$ 1,510,319</u>	<u>\$ 1,504,705</u>

ONTARIO VOLLEYBALL ASSOCIATION
Statement of Revenues and Expenditures
Year Ended August 31, 2018

	2018	2017
REVENUE		
Programs - tournaments, fees and other	\$ 4,658,314	\$ 4,008,028
Memberships	493,294	459,132
Grants - Government of Ontario	386,364	485,511
Sponsorships	90,079	71,357
Other	42,808	16,300
Grants - Other	28,570	39,178
Investment income	18,360	23,044
Publication sales	13,768	14,575
Grants - Trillium Fund	9,828	9,892
Fundraising	7,330	10,695
Nationals (indoor)	3,376	225,453
	<u>5,752,091</u>	<u>5,363,165</u>
EXPENDITURES		
Programs (<i>Note 13</i>)	4,922,590	4,414,553
Administrative salaries and benefits (<i>Note 12</i>)	406,094	405,889
Other administrative costs (<i>Note 14</i>)	200,972	122,466
Special events	58,552	251,162
Amortization of capital assets	58,262	58,101
Communications	45,323	18,367
Meetings	43,418	41,246
Publication costs	11,266	10,459
	<u>5,746,477</u>	<u>5,322,243</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 5,614</u>	<u>\$ 40,922</u>

ONTARIO VOLLEYBALL ASSOCIATION
Statement of Cash Flow
Year Ended August 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 5,614	\$ 40,922
Items not affecting cash:		
Amortization of capital assets	58,262	58,101
Amortization reported under program expenses	50,911	-
	<u>114,787</u>	<u>99,023</u>
Changes in non-cash working capital:		
Accounts receivable	(241,894)	60,385
Interest receivable	12,899	(3,046)
Inventory	(219)	(1,809)
Accounts payable and accrued liabilities	68,272	175,512
Deferred revenue	(62,121)	(261,816)
Prepaid expenses	(83,009)	(21,538)
Harmonized sales tax recoverable	(1,845)	(25,463)
Deferred revenue - long-term	56,186	(12,000)
Payable to members	23,484	3,983
	<u>(228,247)</u>	<u>(85,792)</u>
Cash flow from (used by) operating activities	<u>(113,460)</u>	<u>13,231</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(228,650)	(14,425)
Purchase of intangible assets	(30,000)	-
Net (increase) decrease in deposits	19,090	(18,807)
Net (increase) decrease in investments	(36,261)	(15,295)
Cash flow used by investing activities	<u>(275,821)</u>	<u>(48,527)</u>
FINANCING ACTIVITY		
Repayment of long term debt	-	(2,353)
DECREASE IN CASH FLOW	<u>(389,281)</u>	<u>(37,649)</u>
Cash - beginning of year	<u>742,738</u>	<u>780,387</u>
CASH - END OF YEAR	<u>\$ 353,457</u>	<u>\$ 742,738</u>

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

PURPOSE OF THE ORGANIZATION

Ontario Volleyball Association ("the Association") is a provincial organization operating programs to lead in the development and promotion of the sport throughout Ontario. Ontario Volleyball Association is incorporated in the province of Ontario under the Corporations Act as a not-for-profit organization.

1. ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

Contingency Reserve Fund

The objective of the contingency reserve fund is to maintain funds sufficient to meet the Association's annual working capital requirements and any planned future capital commitments. This reserve was established to ensure that the Association will be able to continue to operate as a going concern.

Revenue recognition

The Association follows the deferral method of accounting for grants. 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 unrealized gains.

Donated services

The Association benefits greatly from donated services in the form of volunteer work to assist the Ontario Volleyball Association in carrying out its service delivery activities. Because of the difficulty in determining their fair value, donated services are not recognized in the financial statements.

Inventory

Inventory consists of books, manuals, score sheets and miscellaneous items necessary for the conduct of the Organization's operations. Inventory is valued at the lower of cost and net realizable value with the cost being valued using the weighted average method.

(continues)

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

1. **ACCOUNTING POLICIES** *(continued)*

Capital assets

Capital assets are recorded at cost. Amortization is provided on the basis and at the annual rates indicated as follows:

Office furniture	10 years	straight-line method
Volleyball courts and equipment	10 years	straight-line method
Leasehold improvements	over lease term	straight-line method
Improvements to beach volleyball courts under license	over license term	straight-line method

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value.

The Association subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, investments, accounts receivable and interest receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and amounts payable to members.

Deferred government assistance

Capital asset grants are accounted for as deferred government assistance and amortized on the same basis as the related capital assets.

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

2. INVESTMENTS

	2018	2017
Fixed Income Investments	\$ 1,107,459	\$ 1,071,198
Less: Long-term portion	(536,348)	(651,848)
Current portion - maturing in the next 12 months	\$ 571,111	\$ 419,350

Investments consist of GIC's and bonds that mature from January 2019 to February 2025 and earn interest at rates between 1.80% and 3.54% annually.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Equipment	\$ 33,645	\$ 30,231	\$ 3,414	\$ 6,774
Volleyball courts and equipment	527,272	356,406	170,866	222,598
Improvements to beach volleyball courts under license	228,649	44,911	183,738	-
Leasehold improvements	24,075	6,179	17,896	21,066
	\$ 813,641	\$ 437,727	\$ 375,914	\$ 250,438

In a prior year a grant of \$150,000 was received to fund the purchase of some of the volleyball courts. The balance of the deferred grant revenue related to this grant as at August 31, 2018 is \$348. It is being recognized as income in the amount of \$10,000 per year, on the same basis as the amortization of the volleyball courts, straight line over ten years.

In the current year \$228,649 was invested to renovate and/or build beach volleyball courts in Pickering, London and Barrie. This amount will be amortized over the term of the individual leases for each location.

4. INTANGIBLE ASSETS

	2018	2017
Licenses - cost	\$ 30,000	\$ -
Licenses - accumulated amortization	(6,000)	-
	\$ 24,000	\$ -

Licenses include a license agreement with the City of Pickering for the use of 5 beach volleyball courts from May 1, 2018 to September 30, 2022. The license is being amortized straight line over the term.

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

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 subsequent year revenues.

	<u>2018</u>	<u>2017</u>
Tourism Toronto - Enercare Centre signing bonus	\$ 50,000	\$ -
Other fund previously Performance bonds	23,900	23,900
Solars Fund	12,202	6,016
Ashbridges Bay Beach Volleyball	11,189	16,807
Ontario championships travel fund	9,028	12,088
Ministry of Tourism, Culture and Sport - OCSRF	8,661	52,275
RBC Learn to Play Community Action grant	5,956	5,957
Ontario Trillium Foundation - sport court grant	348	10,176
Subtotal	<u>121,284</u>	<u>127,219</u>
Current portion of deferred revenue	<u>(61,082)</u>	<u>(123,203)</u>
Long term portion of deferred revenue	<u>\$ 60,202</u>	<u>\$ 4,016</u>

Performance bonds payable represent amounts collected from all clubs for ongoing participation in the Association's programs. These funds were collected at the time of registration. In a prior year, the Association eliminated the requirement for performance bonds and refunded bonds where possible. The remaining funds will be used for operational indoor club volleyball.

Previously, a volleyball club contributed \$18,500 to the Association for its use. The Association has decided that the funds along with other internal fund contributions will be used for athlete assistance for athletes who are national team candidates. This fund is known as the Solars Fund. The full amount, less \$2,000 for current awards, has been presented as long term.

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

6. CONTINGENCY RESERVE FUND

During a prior fiscal year the Association created the Contingency Reserve Fund (note 1). The Net Asset position is being presented in the financial statements as the Contingency Reserve Fund, which is comprised of operating and capital funds. The Fund grew by \$5,615 as a result of excess revenue over expenditures during the fiscal year.

The Finance and Audit Committee has determined a target amount of reserve funds required to meet working capital requirements and capital funding to be \$1,925,000. The target amount is based on the combination of estimated capital requirements plus one base funding cycle and an average of other grants received. This amount has been calculated as follows:

Average grant revenue per annum	\$475,000
Ministry funding cycle	<u>x 3 years</u>
Ministry funding reserve	\$1,425,000
Reserve for Capital Projects	\$500,000
Total Contingency Reserve Fund	\$1,925,000

7. SPONSORSHIPS

The Association's financial statements reflect only cash sponsorships received from various sponsors. During the current fiscal year, the Association received additional donations of products from various sponsors with a retail value of approximately \$78,004 (2017 - \$66,404).

8. ECONOMIC DEPENDENCE

The continued operations of the Association depend to some extent upon the funding that it receives from the Provincial Government. Any significant reduction in this source would significantly curtail the Association's ability to offer a complete range of programs.

9. OFFICE RENT & MAINTENANCE

The Association leases premises at 60 Scarsdale Road, Toronto, Ontario on a monthly basis from Elm Place Inc. The association entered into a lease agreement that runs to September 2024 with the following required annual payments:

2019	\$	89,841
2020		89,841
2021		81,466
2022		88,817
2023		89,555
2024		89,555
2025		<u>7,463</u>
	\$	<u>536,538</u>

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

10. FINANCIAL INSTRUMENTS

The Association as part of its operations carries a number of financial instruments, which include cash, investments, accounts receivable, interest receivable, accounts payable and accrued liabilities and amounts payable to members. The carrying amount of the Association's financial instruments approximates their face value due to their relatively short-term maturities. It is management's opinion that the Association is not exposed to significant interest rate, currency or credit risks arising from its financial instruments, except as otherwise disclosed.

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

11. COMMITMENTS

In a prior year, the Association renewed its License Agreement with the City of Toronto for the use of beach volleyball facilities, Ashbridge's Bay Park and Woodbine Beach Park, for the term May 1st to September 30th in each of the years 2015 through 2019. The license fee consists of:

1. A fixed payment of \$180,000 plus GST or HST to be paid in installments of \$90,000 each on June 1st and September 1st of each year during the Term, commencing June 1, 2015;
2. For the 2015 season, an additional payment of 8% of gross revenues; for the 2016 season, 8.5% of gross revenues; for the 2017 season, 9% of gross revenues; for the 2018 season, 9.5% of gross revenues, and for the 2019 season, 10% of gross revenues, payable one month after the Licensee's fiscal year end.
3. A variable portion throughout the Term being any and all other payments which are the Licensee's responsibility pursuant to the Agreement.

The Association has provided the City of Toronto with a security deposit in the amount of \$10,000. The security deposit may be used by the City to remedy any of the Licensee's defaults.

The Association has provided the City of Toronto with a letter of credit in the amount of \$73,658. The letter of credit may be used by the City to remedy any of the Licensee's defaults.

The Association has entered into a license agreement with The Board of Governors of Exhibition Place to use the Enercare Centre for the OVA Provincial Championships in April of 2020, 2023 and 2026.

Net rental costs (including HST) are \$486,035 for the 2020 event, \$556,908 for the 2023 event and \$580,812 for the 2026 event. Future required payments (including HST) are \$228,437 in fiscal 2019, \$243,018 in 2020, \$261,747 in 2022, \$278,454 in 2023, \$272,982 in 2025 and \$290,406 in 2026.

In the current year, the Association also entered into license agreements for the properties where the beach volleyball courts were renovated or constructed. The license agreement for the courts located in the City of London has an initial term from July 1, 2018 to September 30, 2022. The total commitment over the initial term is \$60,583 (including HST). There are two renewal options from May 1, 2023 to September 30, 2024 and from May 1, 2025 to September 30, 2016. The total commitment over these renewal terms is \$27,685 (including HST) each.

The license agreement for the courts located in Barrie has an initial term from July 1, 2018 to September 30, 2018 and a renewal option from May 1, 2029 to September 30, 2033. The license fee is calculated as 15% of the revenue generated from the courts plus HST and is payable annually by October 15th.

The license agreement for the courts located in the City of Pickering has a term from July 1, 2018 to September 30, 2022. The total commitment over the term is \$22,600 (including HST).

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

12. SALARIES AND BENEFITS

Salaries and benefits consist of:

	2018	2017
Administration	\$ 406,093	\$ 405,887
Programs	780,032	752,171
	\$ 1,186,125	\$ 1,158,058

Salaries and benefits allocated to programs are reported under program expenditures.

13. PROGRAM EXPENSES

	2018	2017
Programs - Train To Train	\$ 1,102,998	\$ 835,846
Programs - Learn To Compete	936,758	1,007,589
Provincial championships	741,621	620,935
Programs - OVA Beach Facilities	700,917	564,031
Officials	500,269	423,385
Beach	354,468	279,865
Programs - Learn To Train	295,295	432,360
Coaching	143,076	149,675
Programs - Train To Compete	120,146	95,740
Programs - Sitting Volleyball	23,705	5,092
Beach Nationals	2,947	35
CS4L - Trillium Fund	390	-
	\$ 4,922,590	\$ 4,414,553

Programs - OVA Beach Facilities includes amortization of capital assets (improvements to volleyball courts under license) of \$44,119 (2017 - nil) and amortization of intangible assets of \$6,792 (2017 - nil).

ONTARIO VOLLEYBALL ASSOCIATION
Notes to Financial Statements
Year Ended August 31, 2018

14. OTHER ADMINISTRATION COSTS

	<u>2018</u>	<u>2017</u>
Rent	\$ 38,894	\$ 30,325
Professional services	93,332	25,265
Insurance	19,742	19,293
Bank, credit card & payroll service charges	21,888	15,273
Phone, fax & internet	7,211	9,781
Bad debt expense (recovery)	2,810	8,314
Office supplies and other	7,504	8,178
Postage & courier	7,631	3,140
Printing & copying	1,960	2,443
Leasehold improvements	-	324
Sundry	-	130
	<u>\$ 200,972</u>	<u>\$ 122,466</u>