

**CANADA BASKETBALL
FINANCIAL STATEMENTS**

MARCH 31, 2014

CANADA BASKETBALL

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CANADA BASKETBALL

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Licensed Public Accountant
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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Canada Basketball

We have audited the accompanying financial statements of Canada Basketball, which comprise the statement of financial position as at March 31, 2014, and the statements of revenues and expenses, changes in net liabilities, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management and Directors' Responsibility for the Financial Statements

Management and directors are 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 and directors determine are 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.

CANADA BASKETBALL
INDEPENDENT AUDITOR'S REPORT Continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canada Basketball as at March 31, 2014 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.

London, Ontario
May 24, 2014

Day & Day
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANT

CANADA BASKETBALL
STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

ASSETS

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|-------------------|-------------------|
| CURRENT | | |
| Accounts receivable | \$ 255,744 | \$ 268,276 |
| Government taxes receivable | 29,343 | 33,640 |
| Prepaid expenses | 54,287 | 17,706 |
| Inventory | <u>56,463</u> | <u>80,117</u> |
| | 395,837 | 429,739 |
| EQUIPMENT (Note 3) | 52,581 | 20,808 |
| YOUTH BASKETBALL PROGRAM | <u>50,000</u> | <u>50,000</u> |
| TOTAL ASSETS | <u>\$ 498,418</u> | <u>\$ 500,547</u> |

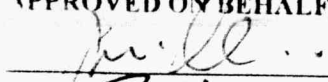
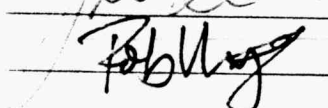
LIABILITIES

| | | |
|---|------------------|------------------|
| CURRENT | | |
| Bank indebtedness (Note 4) | \$ 118,954 | \$ 181,484 |
| Accounts payable and accrued liabilities | 875,068 | 674,095 |
| Government remittances payable | - | 3,975 |
| Deferred revenue | 80,994 | 147,311 |
| Current portion of loans payable (Note 5) | <u>406,212</u> | <u>551,680</u> |
| | 1,481,228 | 1,558,545 |
| LOANS PAYABLE, net of current portion (Note 5) | <u>-</u> | <u>20,000</u> |
| TOTAL LIABILITIES | <u>1,481,228</u> | <u>1,578,545</u> |

NET LIABILITIES

| | | |
|--|--------------------|--------------------|
| NET ASSETS INVESTED IN CAPITAL ASSETS | 52,581 | 20,808 |
| UNRESTRICTED NET LIABILITIES | <u>(1,035,391)</u> | <u>(1,098,806)</u> |
| | <u>(982,810)</u> | <u>(1,077,998)</u> |
| | <u>\$ 198,418</u> | <u>\$ 500,547</u> |

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

CANADA BASKETBALL

STATEMENT OF CAPITAL ASSET FUND

FOR THE YEAR ENDED MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|------------------|------------------|
| BALANCE, beginning of year | \$ 20,808 | \$ 24,135 |
| ADD (DEDUCT) | | |
| Investment in capital assets | 43,583 | 4,731 |
| Amortization of capital assets | <u>(11,810)</u> | <u>(8,058)</u> |
| BALANCE, end of year | \$ <u>52,581</u> | \$ <u>20,808</u> |

STATEMENT OF UNRESTRICTED NET LIABILITIES

FOR THE YEAR ENDED MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|----------------------|----------------------|
| NET LIABILITIES, beginning of year | (1,098,806) | (896,922) |
| Excess (Deficit) revenues over expenses | 95,188 | (205,211) |
| Investment in capital assets | (43,583) | (4,731) |
| Amortization of capital assets | <u>11,810</u> | <u>8,058</u> |
| NET LIABILITIES, end of year | <u>\$(1,035,391)</u> | <u>\$(1,098,806)</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

CANADA BASKETBALL

STATEMENT OF REVENUES AND EXPENSES

FOR THE YEAR ENDED MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|------------------|---------------------|
| REVENUES | | |
| Basketball Development | | |
| Coaching and Officials Development | \$ 97,762 | \$ 87,215 |
| High Performance and National Teams | 120,765 | 18,340 |
| National Championships | 39,314 | 36,900 |
| Steve Nash Youth Basketball | <u>190,721</u> | <u>189,607</u> |
| | <u>448,562</u> | <u>332,062</u> |
| Business Development | | |
| Events | 231,789 | 15,793 |
| National Membership | 280,226 | 285,048 |
| Retail Merchandise | 55,085 | 49,394 |
| Sponsorship/Marketing (Note 6) | <u>2,295,455</u> | <u>878,339</u> |
| | <u>2,862,555</u> | <u>1,228,574</u> |
| Operations and Administration | | |
| Canadian Wheelchair Basketball Association | 1,900,000 | 1,636,900 |
| Debt Forgiveness | - | 63,000 |
| External Funding (Note 7) | 2,258,000 | 1,945,000 |
| General | <u>45,293</u> | <u>44,256</u> |
| | <u>4,203,293</u> | <u>3,689,156</u> |
| TOTAL REVENUES FOR THE YEAR | <u>7,514,410</u> | <u>5,249,792</u> |
| EXPENSES | | |
| Basketball Development | | |
| Coaching and Officials Development | 129,713 | 118,880 |
| High Performance and National Teams | 3,319,273 | 1,920,365 |
| National Championships | 37,818 | 36,743 |
| Steve Nash Youth Basketball | <u>258,590</u> | <u>304,872</u> |
| | <u>3,745,394</u> | <u>2,380,860</u> |
| Business Development | | |
| Communication | 24,822 | 21,297 |
| Events | 174,941 | 15,130 |
| Retail Merchandise | 36,841 | 25,412 |
| Sponsorships/Marketing | <u>387,035</u> | <u>151,970</u> |
| | <u>623,639</u> | <u>213,809</u> |
| Operations and Administration | | |
| Canadian Wheelchair Basketball Association | 1,900,000 | 1,636,900 |
| General | 296,742 | 309,146 |
| Human Resources | <u>853,447</u> | <u>914,288</u> |
| | <u>3,050,189</u> | <u>2,860,334</u> |
| | <u>7,419,222</u> | <u>5,455,003</u> |
| EXCESS (DEFICIT) REVENUES OVER EXPENSES | <u>\$ 95,188</u> | <u>\$ (205,211)</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

CANADA BASKETBALL

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash provided by (used in) operations | | |
| Excess (deficit) revenues over expenditures | \$ 95,188 | \$ (205,211) |
| Add (deduct): charges to income not involving cash | | |
| Amortization | <u>11,810</u> | <u>8,058</u> |
| | 106,998 | (197,153) |
| Net change in non-cash working capital | | |
| balances related to operations | | |
| Accounts receivable, government taxes receivable | 16,829 | (61,694) |
| Inventory | 23,654 | 7,368 |
| Prepaid expenses | (6,581) | (2,037) |
| Trade payables, government remittances payable | 196,998 | 44,592 |
| Deferred revenue | <u>(66,317)</u> | <u>(126,014)</u> |
| | <u>271,581</u> | <u>(334,938)</u> |
| FINANCING ACTIVITIES | | |
| Loan advances (repayments) | <u>(165,468)</u> | <u>354,500</u> |
| CASH FLOWS APPLIED TO INVESTING ACTIVITIES | | |
| Additions to capital assets | <u>(43,583)</u> | <u>(4,731)</u> |
| INCREASE IN CASH | 62,530 | 14,831 |
| CASH (OVERDRAFT), beginning of year | <u>(181,484)</u> | <u>(196,315)</u> |
| CASH (OVERDRAFT), end of year | <u>\$ (118,954)</u> | <u>\$ (181,484)</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

CANADA BASKETBALL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

1. PURPOSE OF THE ORGANIZATION

Canada Basketball is an Association whose stated mission is to lead a unified basketball community to engage all in quality experiences and drive international success. The Association is incorporated under the Canada Corporations Act as a not-for-profit organization and is a Registered Amateur Athletic Association under the Income Tax Act and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following accounting policies:

(a) Basis of Presentation

The financial statements of the Organization reflect the assets, liabilities, revenues and expenses of the operations of the organization.

(b) Revenue recognition

The Organization follows the deferral method of accounting for revenue. Unrestricted funding is recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted funding is deferred and recognized as revenue in the year in which the related expenditures are incurred.

(c) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. The inventory consists primarily of supplies to support the Steve Nash Youth Basketball Program and Canada Basketball's web store.

(d) Contributed goods and services

Contributed goods are recorded to the extent that the fair value is reasonably determinable. The Association benefits greatly from donated services in the form of volunteer work to assist Canada Basketball in carrying out its activities. Because of the difficulty in determining their fair value, donated services are not recognized in the financial statements.

(e) Sport Canada Contributions

Contributions received from Sport Canada are subject to specific terms and conditions regarding the expenditure of funds. The Association's records in relation to the contributions are subject to audit by Sport Canada upon request.

(f) Steve Nash Youth Basketball Program

The Steve Nash Youth Basketball program is recorded at cost less provision for any impairment. The program is not amortized as it has an indefinite life. The carrying value is regularly compared against its fair value determined by expected future cash flows from the use of the program. When carrying value exceeds fair value, a provision for impairment will be applied against the carrying value.

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

CANADA BASKETBALL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

(g) Equipment

Equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

| | |
|-----------------------------|------------|
| Computer hardware, software | - 3 years |
| Equipment | - 10 years |

(h) Use of Estimates

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 collectability of accounts receivable, accrued liabilities and deferred revenue.

(i) Financial instruments

Measurement of financial instruments

The entity initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The entity 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 and accounts receivable. Financial liabilities measured at amortized cost include the bank overdraft, the bank loan, accounts payable, and long-term debt.

(j) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

3. EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net 2014</u> | <u>Net 2013</u> |
|-------------------|------------------|-------------------------------------|---------------------|---------------------|
| Computer hardware | \$ 41,973 | \$ 20,337 | \$ 21,636 | \$ 19,192 |
| Computer software | 3,200 | 2,640 | 560 | 1,616 |
| Equipment | <u>31,984</u> | <u>1,599</u> | <u>30,385</u> | <u>-</u> |
| | <u>\$ 77,157</u> | <u>\$ 129,738</u> | <u>\$ 52,581</u> | <u>\$ 20,808</u> |

The amortization recorded during the year is \$11,810 (2013-\$8,058).

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
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CANADA BASKETBALL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

4. BANK INDEBTEDNESS

The Association has a \$150,000 line of credit with HSBC Bank Canada which is secured by a general security agreement. The line of credit bears interest at the bank's prime rate plus 3% per year and is due on demand. The line of credit is to be reduced to \$125,000 by April 15, 2014 and reduced to \$100,000 by July 15, 2014.

5. LOANS PAYABLE

Loans payable consists of the following:

| | <u>2014</u> | <u>2013</u> |
|--|----------------|------------------|
| Loan payable to the Canadian Wheelchair Basketball Association in monthly instalments plus interest at 9.5% per year commencing April 1, 2012 to October 1, 2014. The loan is unsecured. | \$ 20,000 | \$ 60,000 |
| Loan payable to the Canadian Wheelchair Basketball Association with interest at 10% compounded annually, repayable in full April 2014 upon receipt of government funding, the loan is unsecured. | 300,000 | 200,000 |
| Private loan payable bearing interest at prime plus 4%; repayable on or before May 15, 2013. The loan is unsecured and due on demand. | - | 210,080 |
| Loan payable to a company controlled by the Association's President, bearing interest at prime plus 4% per year. The loan is unsecured and due on demand. | <u>86,212</u> | <u>101,600</u> |
| Total loans payable | 406,212 | 571,680 |
| Less current portion of loans | <u>406,212</u> | <u>551,680</u> |
| | <u>\$ -</u> | <u>\$ 20,000</u> |

6. SPONSORSHIP/MARKETING REVENUE

Sponsorship/marketing revenue is comprised of the following:

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|-------------------|
| Sponsorship and marketing | \$ 1,415,600 | \$ 461,095 |
| Clothing and equipment (Value in Kind) | 223,593 | 120,000 |
| Donations and fundraising | <u>656,262</u> | <u>297,244</u> |
| | <u>\$ 2,295,455</u> | <u>\$ 878,339</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS

CANADA BASKETBALL

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2014

7. EXTERNAL FUNDING

| | <u>2014</u> | <u>2013</u> |
|----------------------|---------------------|---------------------|
| Sport Canada | | |
| Core funding | \$ 2,225,000 | \$ 1,814,500 |
| Supplemental funding | <u>33,000</u> | <u>130,500</u> |
| | \$ <u>2,258,000</u> | \$ <u>1,945,000</u> |

8. COMMITMENTS

The Association's lease agreement for its premises expires April 30, 2015. The minimum annual lease costs including the Association's share of common area maintenance and property taxes are as follows:

March 31, 2015 - \$67,308

March 31, 2016 - \$ 5,625

The Association has also entered into leases for office equipment. The total lease payments for the year ended March 31, 2015 - \$2,898 and for the year ended March 31, 2016 - \$1,449.

9. FINANCIAL INSTRUMENTS

The carrying value for bank indebtedness, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the financial instruments. The fair value of the loans payable approximate their carrying value due to the market rates of interest being paid.

The Association in the normal course of operations has receivables from various basketball organizations. The Association is exposed to concentration credit risk on its receivables. As at March 31, 2014, the organizations represent approximately 70% (2013 - 73%) of the accounts receivable balances.

The Association is exposed to fluctuations in interest rates as a result of the floating interest on its bank indebtedness and loans payable.

10. ECONOMIC DEPENDENCE

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

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS
DAY & DAY CHARTERED PROFESSIONAL ACCOUNTANTS