

The Canadian Soccer Association Incorporated

Financial Statements
December 31, 2020



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, 2020 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, 2020;
- 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.

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
March 21, 2021

The Canadian Soccer Association Incorporated

Statement of Financial Position

As at December 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash	4,658,709	2,873,973
Guaranteed investment certificates (note 3)	7,000,000	7,058,562
Accounts receivable (note 10)	893,888	1,937,027
Inventory	3,658	11,423
Prepaid expenses	105,455	545,766
	<hr/>	<hr/>
	12,661,710	12,426,751
Capital assets (note 4)	<hr/>	<hr/>
	842,317	626,187
	<hr/>	<hr/>
	13,504,027	13,052,938
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	901,090	2,465,022
Deferred revenue	2,945,076	1,101,477
	<hr/>	<hr/>
	3,846,166	3,566,499
Deferred contributions related to capital assets (note 6)	<hr/>	<hr/>
	122,557	130,728
	<hr/>	<hr/>
	3,968,723	3,697,227
Net Assets		
Unrestricted	7,372,208	7,393,033
Internally restricted – reserve (note 9)	1,500,000	1,500,000
Invested in capital assets	663,096	462,678
	<hr/>	<hr/>
	9,535,304	9,355,711
	<hr/>	<hr/>
	13,504,027	13,052,938
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, 2020

	2020			
	Unrestricted \$	Internally restricted – reserve \$ (note 9)	Invested in capital assets \$	Total \$
Balance – Beginning of year	7,393,033	1,500,000	462,678	9,355,711
Excess of revenue over expense for the year	(20,825)	-	200,418	179,593
Balance – End of year	7,372,208	1,500,000	663,096	9,535,304
	2019			
	Unrestricted \$	Internally restricted – reserve \$ (note 9)	Invested in capital assets \$	Total \$
Balance – Beginning of year	7,747,650	1,500,000	498,303	9,745,953
Deficiency of revenue over expense for the year	(354,617)	-	(35,625)	(390,242)
Balance – End of year	7,393,033	1,500,000	462,678	9,355,711

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, 2020

	2020 \$	2019 \$
Revenue		
Player fees	2,516,648	7,286,057
Commercial and other fees (note 7)	4,691,337	8,900,086
Government grants (note 11)	4,502,646	3,588,062
FIFA and CONCACAF grants	2,481,671	4,438,666
FIFA World Cup 2026	216,786	170,700
	<hr/>	<hr/>
	14,409,088	24,383,571
Expense		
Men's teams	3,088,906	6,273,377
Women's teams	2,821,642	5,888,916
Other teams and sporting equipment (note 7)	2,127,257	2,421,748
Technical and development projects	1,352,228	2,126,945
Staging, marketing and communications	760,442	3,043,991
FIFA World Cup 2026	216,786	121,668
Competitions	19,861	1,183,418
Administration and meetings	3,842,373	3,713,750
	<hr/>	<hr/>
	14,229,495	24,773,813
Excess (deficiency) of revenue over expense for the year	<hr/>	<hr/>
	179,593	(390,242)

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, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expense	179,593	(390,242)
Items not affecting cash		
Amortization of capital assets	73,327	43,795
Amortization of deferred contributions related to capital assets	(8,171)	(8,169)
Changes in non-cash working capital items		
Accounts receivable	1,043,139	(890,056)
Inventory	7,765	(10,240)
Prepaid expenses	440,311	(321,394)
Accounts payable and accrued liabilities	(1,563,932)	605,048
Deferred revenue	1,843,599	112,928
	<hr/>	<hr/>
	2,015,631	(858,330)
Investing activities		
Purchase of capital assets	(289,457)	(32,782)
Purchase of guaranteed investment certificates	(7,000,000)	(7,058,562)
Proceeds on redemption of guaranteed investment certificates	<hr/> 7,058,562	<hr/> 7,000,000
	<hr/>	<hr/>
	(230,895)	(91,344)
Change in cash during the year	1,784,736	(949,674)
Cash – Beginning of year	<hr/> 2,873,973	<hr/> 3,823,647
Cash – End of year	<hr/> 4,658,709	<hr/> 2,873,973

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

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2020

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. 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.

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2020

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.

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.

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.

3 Guaranteed investment certificates

	2020	2019
	\$	\$
Guaranteed investment certificates, bearing interest rates from 0.40% to 0.45%, maturing in 2021 (2019 – from 1.6% to 2.1%)	<u>7,000,000</u>	<u>7,058,562</u>

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2020

4 Capital assets

	2020		
	Cost \$	Accumulated amortization \$	Net \$
Land	255,998	-	255,998
Building	615,171	378,074	237,097
Building improvements	652,792	303,570	349,222
Furniture and equipment	287,896	287,896	-
	1,811,857	969,540	842,317

	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

5 Government remittances

Government remittances of nil are included in accounts receivable (2019 – nil).

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	130,728
Amortization of deferred contributions for the year	<u>(8,171)</u>
Balance – End of year	122,557

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2020

7 Contributed goods and services

Contributed goods and services (soccer equipment, hosting services, transportation, essential federal services and team supplies) of \$1,899,267 (2019 – \$2,000,000) 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.

8 Commitments and contingencies

Commitments

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

	\$
2021	<u>41,391</u>

b) 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 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.

9 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.

10 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, 2020, 72% of accounts receivable is owing from one debtor (2019 – 59% owing from three debtors). As at December 31, 2020, the allowance for doubtful accounts is \$1,160,537 (2019 – \$653,000) and has been recorded against accounts receivable on the statement of financial position.

The Canadian Soccer Association Incorporated

Notes to Financial Statements

December 31, 2020

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 \$7,840 (2019 – \$31,384).

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.

11 Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Governments in the jurisdictions in which the Association operates declared states of emergency in response to the COVID-19 pandemic, which have led to significant volatility in local and global markets. Measures taken by the authorities to contain the virus have affected global and local economic activity. While the long-term impact of the pandemic on business operations remains uncertain, management is closely monitoring the economic development and potential impact (if any) that might result in business losses.

During the year ended December 31, 2020, management applied for assistance under the Canada Emergency Wage Subsidy (CEWS) set up by the Government of Canada to assist local businesses during the COVID-19 pandemic. Contributions recognized under CEWS amounted to \$1,212,642, of which \$619,928 is receivable as at December 31, 2020.