Financial Statements of

# U SPORTS

And Independent Auditors' Report thereon

Year ended March 31, 2022

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON  K2P 2P8
Canada
Tel 613-212-5764
Fax 613-212-2896

# INDEPENDENT AUDITORS' REPORT

To the Members of U SPORTS

## *Opinion*

We have audited the financial statements of U SPORTS (the Association), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2022 and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## *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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

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

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

## *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.

### *Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 20, 2022

# U SPORTS

Statement of Financial Position

March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash (note 2) | $ 417,350 | $ - |
| Accounts receivable (note 3) | 984,552 | 755,602 |
| Prepaid expenses and advances | 114,654 | 104,201 |
| Inventories | - | 1,000 |
| | 1,516,556 | 860,803 |
| Tangible capital and intangible assets (note 4) | 581,021 | 626,100 |
| | $ 2,097,577 | $ 1,486,903 |
| **Liabilities and Net Assets (Deficiency)** | | |
| Current liabilities: | | |
| Bank indebtedness (note 2) | $ - | $ 12,251 |
| Accounts payable and accrued liabilities (note 5) | 568,087 | 302,475 |
| Deferred revenue | 26,525 | 38,402 |
| | 594,612 | 353,128 |
| Long-term debt | 60,000 | 60,000 |
| Leasehold inducement | 100,001 | 125,001 |
| Travel pool and championship bond payable | 295,704 | 606,077 |
| Coaches Excellence Fund | 245,228 | 245,978 |
| | 1,295,545 | 1,390,184 |
| Net assets (deficiency) (note 6): | | |
| Invested in tangible capital and intangible assets | 481,020 | 501,099 |
| Unrestricted | 321,012 | (404,380) |
| | 802,032 | 96,719 |
| Commitments (note 7) | | |
| Impact of COVID-19 (note 10) | | |
| | $ 2,097,577 | $ 1,486,903 |

See accompanying notes to financial statements.

On behalf of the Board:

J Olfert

John Olfert - Chair, Finance Committee

D White

D. White - Interim Chief Executive Officer

# U SPORTS

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---|---|
| Revenue: | | |
| Member dues | $ 1,418,010 | $ 1,111,931 |
| Government contributions | 884,950 | 1,031,831 |
| Marketing | 314,000 | 38,929 |
| U SPORTS central (registrations) | 288,000 | 247,318 |
| Events/competitions | 264,650 | (54,938) |
| Interest and other | 71,829 | 25,775 |
| International | 11,000 | - |
| Merchandising | 3,741 | 9,097 |
| Donations | - | 1,241 |
| | 3,256,180 | 2,411,184 |
| Expenses: | | |
| Payroll | 1,606,182 | 1,817,551 |
| Administration | 565,594 | 661,484 |
| Commercial | 263,842 | 71,033 |
| Travel | 177,802 | 55,001 |
| Events and competitions | 155,828 | 36,390 |
| Dues | 130,000 | 40,000 |
| Merchandising | 82,347 | 25,382 |
| International | 77,259 | 1,072 |
| | 3,058,854 | 2,707,913 |
| Excess (deficiency) of revenue over expenses before the undernoted item | 197,326 | (296,729) |
| Other income: | | |
| COVID-19 subsidies and grants | 507,987 | 598,542 |
| Excess of revenue over expenses | $ 705,313 | $ 301,813 |

See accompanying notes to financial statements.

# U SPORTS

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

| | Invested in tangible capital and intangible assets | Unrestricted | 2022 Total | 2021 Total |
|---|---|---|---|---|
| Net assets (deficiency), beginning of year | $ 501,099 | $ (404,380) | $ 96,719 | $ (205,094) |
| Excess of revenue over expenses | 25,000 | 680,313 | 705,313 | 301,813 |
| Additions to tangible capital and intangible assets | 104,550 | (104,550) | - | - |
| Amortization of tangible capital and intangible assets | (149,629) | 149,629 | - | - |
| Net assets, end of year | $ 481,020 | $ 321,012 | $ 802,032 | $ 96,719 |

See accompanying notes to financial statements.

# U SPORTS

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

| | 2022 | 2021 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | $ 705,313 | $ 301,813 |
| Items not involving cash: | | |
| Amortization of leasehold inducement | (25,000) | (25,000) |
| Amortization of tangible capital and intangible assets | 149,629 | 171,107 |
| Increase in accounts receivable | (228,950) | (256,641) |
| Decrease (increase) in prepaid expenses and advances | (10,453) | 64,925 |
| Decrease in inventories | 1,000 | 25,133 |
| Increase (decrease) in accounts payable and accrued liabilities | 265,612 | (178,107) |
| Decrease in travel pool and championship bond payable | (310,373) | (35,453) |
| Decrease in Coaches Excellence Fund | (750) | (3,500) |
| Decrease in deferred revenue | (11,877) | (120,950) |
| | 534,151 | (56,673) |
| Financing activities: | | |
| Increase (decrease) in operating line of credit | (12,251) | 12,251 |
| Increase in long-term debt | - | 60,000 |
| | (12,251) | 72,251 |
| Investing activities: | | |
| Additions to tangible capital and intangible assets | (104,550) | (95,305) |
| Increase (decrease) in cash | 417,350 | (79,727) |
| Cash, beginning of year | - | 79,727 |
| Cash, end of year | $ 417,350 | $ - |

See accompanying notes to financial statements.

The mission of U SPORTS (the "Association") is to enrich the educational experience of the athlete through a national sports program that fosters excellence through quality educational and athletic experience, unity of purpose, respect for autonomy, integrity and fair play, trust and mutual respect, equity and equality of experience.

The Association is a Registered Canadian Amateur Athletic Association under the Income Tax Act (Canada), and is not subject to income taxes. Effective September 4, 2014, the Organization continued its articles of incorporation under the Canada Not-for-profit Corporations Act.

## 1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Association's significant accounting policies are as follows:

(a) Revenue recognition:

The Association uses the deferral method of accounting for contributions for not-for-profit organizations.

Restricted revenue is recognized as revenue in the year in which the related expenditure is incurred.

Unrestricted revenue is recognized as revenue when it is received or becomes receivable.

Membership fees are recognized as revenue in the period in which they become receivable.

(b) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Amortization of office furniture and equipment is provided on the straight line basis over five years, computers and computer software is provided on the same basis over three years and amortization of leasehold improvements is provided over the term of the lease.

(c) Sports Canada contributions:

Contributions received from Sport Canada are subject to specific terms and conditions regarding the expenditure of the funds. The Association's accounting records are subject to audit by Sport Canada to identify instances, if any, in which amounts charged against contributions have not complied with the agreed terms and conditions and which therefore would be refundable to Sport Canada. Adjustments to prior years' contributions are recorded in the year in which Sport Canada requests the adjustment.

## 1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of the financial statements 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 expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

## 2. Line of credit:

The Association has a line of credit of $100,000 with a Canadian chartered bank. The line of credit bears interest at prime plus 2.0% per annum. At year-end, the Association had drawn $Nil (2021 - $12,251) on the line of credit.

## 3. Accounts receivable:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Due from members | $ | 483,657 | $ | 226,637 |
| Government contributions | | 376,547 | | 455,824 |
| HST rebate | | 68,229 | | 19,976 |
| Sponsors | | 56,119 | | 53,165 |
| | $ | 984,552 | $ | 755,602 |

## 4. Tangible capital and intangible assets:

| | | | | | | 2022 | | 2021 |
|---|---|---|---|---|---|---|---|---|
| | | Cost | | Accumulated amortization | | Net book value | | Net book value |
| Tangible capital assets: | | | | | | | | |
| Office furniture and equipment | $ | 288,559 | $ | 275,700 | $ | 12,859 | $ | 22,391 |
| Computer | | 60,186 | | 53,294 | | 6,892 | | 8,404 |
| Leasehold improvements | | 580,371 | | 218,364 | | 362,007 | | 400,699 |
| Intangible capital assets: | | | | | | | | |
| Computer software | | 507,239 | | 307,976 | | 199,263 | | 194,606 |
| | $ | 1,436,355 | $ | 855,334 | $ | 581,021 | $ | 626,100 |

Cost and accumulated amortization at March 31, 2021 amounted to $1,331,805 and $705,705, respectively.

## 5. Accounts payable and accrued liabilities:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Trade | $ | 421,378 | $ | 214,498 |
| Accrued liabilities / payroll-related | | 138,369 | | 84,271 |
| Credit cards payable / staff expenses | | 8,340 | | 3,706 |
| | $ | 568,087 | $ | 302,475 |

## 6. Net assets:

The Association considers its capital to consist of its unrestricted and internally restricted net assets. The objective of the Association with respect to its capital is to fund ongoing operations and future projects. The Association manages its capital by maintaining and monitoring amounts available for future projects, contingencies and other capital requirements.

The Association is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2021.

## 7. Commitments:

The Association has entered into a long-term operating lease for rental of office space. The minimum annual payments for the next five years and thereafter are as follows:

| | | |
|---|---|---|
| 2023 | $ | 143,403 |
| 2024 | | 147,080 |
| 2025 | | 147,080 |
| 2026 | | 147,080 |
| 2027 | | 154,434 |
| Thereafter | | 617,736 |
| | $ | 1,356,813 |

## 8. Economic dependence:

The Association generates the majority of its revenue from 56 participating Universities in the form of member dues, events and competitions and shared funding arrangements. Future operations of the Association are dependent upon continued participation of the participating Universities.

## 9. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Association monitors the credit risk of customers through credit rating reviews.

**9. Financial risks and concentration of risk (continued):**

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The Association is not subject to significant currency or interest rate risks.

**10. Impact of COVID-19:**

In March of 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is fluid and the ultimate duration and magnitude of the impact on the economy and on all aspects of operations are unknown.

At the time of approval of these financial statements, the Association has undertaken the following activities in relation to the pandemic:

- the office remained closed;
- all FISU games continue to be postponed until it's safe to participate;
- staff are participating in virtual meetings and working from home; and
- the Organization received COVID-specific federal and provincial grants and subsidies it qualified for which are shown on the statement of operations.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at yearend. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.