



Consolidated Financial Statements

Ontario Soccer Association

(Operating as Ontario Soccer)

December 31, 2018

Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Financial Activities	4
Consolidated Statement of Changes in Fund Balances	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 16

Independent Auditor's Report

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To the Members of
Ontario Soccer Association

Opinion

We have audited the consolidated financial statements of Ontario Soccer Association (operating as Ontario Soccer) (the "Association"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of financial activities, changes in fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as at December 31, 2018, and its consolidated results of operations and its consolidated 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Markham, Canada
May 28, 2019

Chartered Professional Accountants
Licensed Public Accountants

Ontario Soccer Association

(Operating as Ontario Soccer)

Consolidated Statement of Financial Position

December 31

2018

2017

Assets (Note 5)

Current

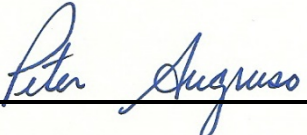
Cash	\$ 667,701	\$ 1,382,704
Accounts receivable	1,081,218	677,031
Prepaid expenses and inventories	<u>363,379</u>	<u>395,003</u>
	2,112,298	2,454,738
Accounts receivable	450,000	-
Property and equipment (Note 6)	<u>7,955,804</u>	<u>8,178,867</u>
	<u>\$ 10,518,102</u>	<u>\$ 10,633,605</u>

Liabilities and fund balances (Note 5)

Current

Accounts payable and accrued liabilities (Note 7)	\$ 1,171,521	\$ 616,635
Deferred revenue (Note 3)	1,629,715	1,438,995
Notes payable (Note 8)	594,100	594,100
Current portion of capital lease obligation (Note 9)	30,053	30,053
Current portion of long-term debt (Note 10)	<u>389,536</u>	<u>377,285</u>
	3,814,925	3,057,068
Deferred government grant (Note 13)	169,336	40,669
Capital lease obligation (Note 9)	63,121	93,175
Long-term debt (Note 10)	<u>3,312,543</u>	<u>3,702,079</u>
	<u>7,359,925</u>	<u>6,892,991</u>
Fund balances (Note 14)		
Unrestricted (Note 3)	(1,600,213)	(693,914)
Invested in property and equipment	4,253,725	4,099,503
Internally restricted	<u>504,665</u>	<u>335,025</u>
	<u>3,158,177</u>	<u>3,740,614</u>
	<u>\$ 10,518,102</u>	<u>\$ 10,633,605</u>

On behalf of the Board of Directors



Director



Director

See accompanying notes to the consolidated financial statements.

Ontario Soccer Association

(Operating as Ontario Soccer)

Consolidated Statement of Financial Activities

Year ended December 31

2018

2017

Revenue (Notes 11 and 12)		
Ontario Soccer Association		
Registration and reporting fees	\$ 6,030,857	\$ 6,732,733
Program fees	3,511,301	1,966,678
Clinic and course fees	944,928	1,042,780
Sponsorships	489,820	414,015
Ontario Ministry of Tourism, Culture and Sport	268,948	268,948
Corporate	99,599	110,028
	<u>11,345,453</u>	<u>10,535,182</u>
The Soccer Centre (Ontario)		
Rental income	1,438,382	1,490,165
League fees	318,884	276,826
Facilities	74,465	71,257
Concession sales	23,546	13,810
Sponsorships	16,728	17,273
Government grant (Note 13)	6,333	1,333
	<u>1,878,338</u>	<u>1,870,664</u>
	<u>13,223,791</u>	<u>12,405,846</u>
Expenses (Notes 11 and 12)		
Ontario Soccer Association		
Canadian Soccer Association levy	2,943,131	2,956,820
Salaries and benefits	2,908,914	2,695,839
Programs	2,825,579	2,497,866
Corporate	1,191,079	414,210
Administration - insurance	770,067	771,026
Clinics and courses	537,042	556,166
Administration - office	335,368	290,992
Administration - information systems	192,538	221,733
Amortization	48,606	35,099
	<u>11,752,324</u>	<u>10,439,751</u>
The Soccer Centre (Ontario)		
Amortization	568,108	548,872
Salaries and benefits	514,551	449,600
Maintenance and utilities	345,111	337,648
League	326,838	251,103
Interest (Note 8 and 10)	150,683	162,309
Administration	148,264	124,797
Concession cost of sales	349	2,698
	<u>2,053,904</u>	<u>1,877,027</u>
	<u>13,806,228</u>	<u>12,316,778</u>
Excess (deficiency) of revenue over expenses (Note 12)	\$ (582,437)	\$ 89,068

See accompanying notes to the consolidated financial statements.

Ontario Soccer Association

(Operating as Ontario Soccer)

Consolidated Statement of Changes in Fund Balances

Year ended December 31

	Unrestricted	Invested in Property and Equipment	Internally Restricted	2018 Total	2017 Total
Fund balances, beginning of year, as previously stated	\$ -	\$ -	\$ -	\$ -	\$ 4,249,964
Prior period adjustment (Note 3)	-	-	-	-	(598,418)
Fund balances, beginning of year, as restated	(693,914)	4,099,503	335,025	3,740,614	3,651,546
Excess (deficiency) of revenue over expenses	(35,363)	(616,714)	69,640	(582,437)	89,068
Invested in property and equipment	(393,651)	393,651	-	-	-
Repayment of long-term debt	(377,285)	377,285	-	-	-
Interfund transfer	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ (1,600,213)</u>	<u>\$ 4,253,725</u>	<u>\$ 504,665</u>	<u>\$ 3,158,177</u>	<u>\$ 3,740,614</u>

See accompanying notes to the consolidated financial statements.

Ontario Soccer Association

(Operating as Ontario Soccer)

Consolidated Statement of Cash Flows

Year ended December 31

2018

2017

Increase (decrease) in cash

Operating		
Excess (deficiency) of revenue over expenses	\$ (582,437)	\$ 89,068
Items not involving cash		
Amortization	<u>616,714</u>	<u>583,971</u>
	<u>34,277</u>	<u>673,039</u>
Change in non-cash working capital items		
Accounts receivable	(854,187)	(343,041)
Prepaid expenses and inventories	31,624	(107,912)
Accounts payable and accrued liabilities	554,886	(263,602)
Deferred revenue	190,720	330,526
Deferred government grant	<u>128,667</u>	<u>(1,333)</u>
	<u>51,710</u>	<u>(385,362)</u>
	<u>85,987</u>	<u>287,677</u>
Financing		
Issuance of notes payable	-	62,100
Repayment of notes payable	-	(72,100)
Repayment of capital lease obligation	(30,054)	(22,284)
Increase in capital lease obligation	-	93,225
Repayment of long-term debt	<u>(377,285)</u>	<u>(365,418)</u>
	<u>(407,339)</u>	<u>304,477</u>
Investing		
Purchase of property and equipment	<u>(393,651)</u>	<u>(225,154)</u>
Decrease in cash	(715,003)	(241,954)
Cash		
Beginning of year	<u>1,382,704</u>	<u>1,624,658</u>
End of year	<u>\$ 667,701</u>	<u>\$ 1,382,704</u>

See accompanying notes to the consolidated financial statements.

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Consolidated Financial Statements

December 31, 2018

1. Purpose of the organization

Ontario Soccer Association (operating as Ontario Soccer) (the "Association") is incorporated in Ontario and is defined as a not-for-profit organization under the Canadian Income Tax Act. The Association is exempt from income tax under Section 149(1) of the Canadian Income Tax Act. The objectives of the Association are to promote and regulate the sport of soccer in the province of Ontario.

2. Working capital deficiency

As at year end the Association's current liabilities exceed its current assets by \$1,702,627 (2017 - \$602,330). The Association is taking action to remedy this deficiency by forecasting working capital requirements, and ensuring the operating budget, which includes registrations, program, clinic and field rental revenue generate an increase in working capital.

3. Prior period adjustment

During the year, the Association identified an inconsistency in its existing policy for recognizing revenue for player registration fees. The Association has adjusted this retroactively, and now recognizes revenue from player registration fees over the term the related services are performed, rather than at the time of billing.

As a result, prior year's opening fund balance decreased by \$598,418 from \$4,249,964 to \$3,651,546 and prior year's opening deferred revenue balance increased by \$598,418 from \$840,577 to \$1,438,995.

4. Summary of significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), the more significant of which are outlined below.

Basis of presentation and principles of consolidation

These consolidated financial statements present the financial position of the Association as at December 31, 2018 and the results of its financial activities and its cash flows for the year then ended.

These consolidated financial statements include the accounts of the Association and its controlled organization, The Soccer Centre (Ontario) (the "Centre"). The Centre is defined as a not-for-profit organization under the Canadian Income Tax Act.

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Financial Statements

December 31, 2018

4. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements, in conformity with ASNPO, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The Association makes estimates for the allowance for doubtful accounts, useful lives of property and equipment as well as the realization of deferred revenue. Actual results may differ from such estimates.

Financial instruments

The Association considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Association's financial instruments are comprised of cash, accounts receivable, note receivable, accounts payable, notes payable and long-term debt.

Financial assets and liabilities are initially recorded at fair value. Cash is subsequently stated at amortized cost. The carrying values of accounts receivable and accounts payable approximate their fair values due to their short-term maturities. Note receivable, notes payable and long-term debt is subsequently recorded at amortized cost using the effective interest rate method.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided over the estimated useful lives as follows:

Building (constructed on leased land (Note 6(a)))	40 years straight-line
Indoor turf	10 years straight-line
Outdoor turf	8 years straight-line
Outdoor turf facilities and equipment	10 - 20 years straight-line
Outdoor stadium substructure	24 years straight-line
Furniture and equipment	5 years straight-line
Computer equipment	30% declining balance

Building costs and improvements are accounted for at cost, and amortized over the shorter of the estimated useful life of the asset or the term of the lease with the City of Vaughn (the "City").

Revenue recognition

Player registration, program, clinic, course, corporate, competition and travel fees are recognized over the term the service is performed. Revenue is recognized from sponsorships, grants, rental, league and agency fees over the term of the contract. Concession sales are recorded on the date of sale. Fees received in advance are recorded as deferred revenue and recognized when services are performed.

Contributed services

The work of the Association is dependent on donated services of many volunteers. Since these services are not normally purchased by the Association and due to the difficulty in determining their fair value, donated services are not recognized in these consolidated financial statements.

Members of the Board of Directors are volunteers who serve without remuneration.

Ontario Soccer Association
 (Operating as Ontario Soccer)
Notes to the Financial Statements
 December 31, 2018

5. Statement of financial position consolidation

	Ontario Soccer Association Non Consolidated	Centre	Total
Assets			
Current			
Cash	\$ 389,292	\$ 278,409	\$ 667,701
Accounts receivable	1,006,636	74,582	1,081,218
Prepaid expenses and inventories	325,881	37,498	363,379
Due from related party	<u>147,978</u>	<u>-</u>	<u>147,978</u>
	1,869,787	390,489	2,260,275
Investment in the Centre (Note 10)	2,000,000	-	2,000,000
Accounts receivable	450,000	-	450,000
Property and equipment	<u>282,428</u>	<u>7,673,376</u>	<u>7,955,804</u>
	<u>\$ 4,602,215</u>	<u>\$ 8,063,865</u>	<u>\$ 12,666,080</u>
Liabilities and fund balances			
Current			
Accounts payable and accrued liabilities	\$ 1,103,042	\$ 68,479	\$ 1,171,521
Due to related party	-	147,978	147,978
Deferred revenue (Note 3)	1,357,273	272,442	1,629,715
Notes payable	594,100	-	594,100
Capital lease obligation	30,053	-	30,053
Current portion of long-term debt	<u>-</u>	<u>389,536</u>	<u>389,536</u>
	3,084,568	878,435	3,962,903
Deferred government grant	-	169,336	169,336
Capital lease obligation	63,121	-	63,121
Long-term debt	<u>-</u>	<u>3,312,543</u>	<u>3,312,543</u>
	<u>3,147,589</u>	<u>4,360,314</u>	<u>7,507,903</u>
Equity of parent organization	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>
Fund balances			
Unrestricted (Note 3)	1,172,198	(2,772,411)	(1,600,213)
Invested in property and equipment	282,428	3,971,297	4,253,725
Internally restricted	<u>-</u>	<u>504,665</u>	<u>504,665</u>
	<u>1,454,626</u>	<u>1,703,551</u>	<u>3,158,177</u>
	<u>\$ 4,602,215</u>	<u>\$ 8,063,865</u>	<u>\$ 12,666,080</u>

Ontario Soccer Association
(Operating as Ontario Soccer)
Notes to the Financial Statements
December 31, 2018

6. Property, plant and equipment

			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Lease interest in land (a)	\$ 43	\$ -	\$ 43	\$ 43
Building (b)	8,563,566	(4,325,350)	4,238,216	4,431,893
Indoor turf	330,350	(115,623)	214,727	247,762
Outdoor turf	519,438	(227,254)	292,184	357,114
Outdoor turf facilities and equipment	1,285,155	(545,650)	739,505	619,704
Outdoor stadium substructure	2,373,386	(346,119)	2,027,267	2,126,158
Furniture and equipment	750,389	(457,651)	292,738	256,119
Computer equipment	172,260	(116,446)	55,814	35,595
Leasehold improvements	<u>107,093</u>	<u>(11,783)</u>	<u>95,310</u>	<u>104,479</u>
	<u>\$ 14,101,680</u>	<u>\$ (6,145,876)</u>	<u>\$ 7,955,804</u>	<u>\$ 8,178,867</u>

(a) Commencing in June 1996, the land was leased from the City for a period of 43 years for aggregate consideration of \$43.

(b) During 1998, the City provided \$1,599,130 of initial funding for the building which has been applied to reduce the cost of the building. During 2001 and 2002, the City provided, without charge, approximately \$760,000 for property improvements, which are not included in the consolidated financial statements

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at year end are government remittances owing of \$23,093 (2017 - \$25,657).

8. Notes payable

	<u>2018</u>	<u>2017</u>
Unsecured notes payable, repayable at various maturity dates up to August, 2019, bearing interest at 4.00%	<u>\$ 594,100</u>	<u>\$ 594,100</u>

Interest expense on the notes payable amounted to \$25,645 (2017 - \$25,404). The interest was paid by Ontario Soccer Association.

Ontario Soccer Association
 (Operating as Ontario Soccer)
Notes to the Financial Statements
 December 31, 2018

9. Capital lease obligation

	<u>2018</u>	<u>2017</u>
Capital lease, 6% effective interest rate, with 60 monthly interest and principal payments of \$951 maturing in July 2021	\$ 29,471	\$ 40,878
Capital lease, 6% effective interest rate, with 60 monthly interest and principal payments of \$1,554 maturing in July 2022	<u>63,703</u>	<u>82,350</u>
	93,714	123,228
Less: current portion	<u>30,053</u>	<u>30,053</u>
Long-term portion	<u>\$ 63,121</u>	<u>\$ 93,175</u>

The principal payments required over the next four years are as follows:

2019	\$ 30,053
2020	30,053
2021	25,299
2022	<u>7,769</u>
	<u>\$ 93,174</u>

Ontario Soccer Association
 (Operating as Ontario Soccer)
Notes to the Financial Statements
 December 31, 2018

10. Long-term debt

	<u>2018</u>	<u>2017</u>
Bank loan, secured by real property, assignment of insurance for all assets, guarantee and postponement of claim executed by the City limited to \$5,000,000, bearing interest at 3.20%, repayable in blended monthly payments of \$41,860 over 5 years ending on May 31, 2020.	\$ 3,702,079	\$ 4,079,364
Less: current portion	<u>389,536</u>	<u>377,285</u>
Long-term portion	<u>\$ 3,312,543</u>	<u>\$ 3,702,079</u>

At the year-end, the Centre was not in compliance with its debt service covenant requirement. The Centre has received a written waiver from its lender indicating that the bank will not call the long-term debt within the next 12 months on account of the covenant requirement.

The principal payments required over the next two years are as follows:

2019	\$ 389,536
2020	<u>3,312,543</u>
	<u>\$ 3,702,079</u>

The Centre incurred interest expense during the year of \$125,038 (2017 - \$136,905) with respect to the long-term debt.

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Financial Statements

December 31, 2018

11. Due from (to) related party and related party transactions

The following transactions between the Association and the Centre have not been eliminated within the consolidated statement of financial activities. It is management's opinion that these fees would have been earned/charged between the organizations and independent third parties had they not occurred between the Association and the Centre. Consequently, to eliminate the transactions would not provide a complete picture of the operations of the consolidated organizations. The transactions are recorded at management's best estimate of fair market values.

	<u>2018</u>	<u>2017</u>
Due to parent organization (Note 5), beginning of year	\$ 166,898	\$ 346,528
Investment in the Centre (Note 5), beginning of year	<u>2,000,000</u>	<u>2,000,000</u>
	2,166,898	2,346,528
Fees charged to the Association by the Centre:		
Office space rental (included in rental income)	(89,137)	(89,136)
Indoor soccer rental fees (included in rental income)	(86,320)	(105,600)
Outdoor soccer rental fees (included in rental income)	(50,620)	(64,628)
Canada room rental (included in rental income)	(6,750)	(10,863)
Advertising and PISL fees (included in rental income)	<u>-</u>	<u>(1,700)</u>
	(232,827)	(271,927)
Fees charged to the Centre by the Association (included in interest expense)	22,924	25,404
Operating expenses of the Centre paid by the Association	<u>190,893</u>	<u>66,893</u>
Due to parent organization (Note 5), end of year	147,978	166,898
Investment in the Centre (Note 5), end of year	<u>2,000,000</u>	<u>2,000,000</u>
	\$ 2,147,978	\$ 2,166,898

Investment in the Centre consists of original capital provided by the Association to fund creation of the Centre. It was the intention of the Association that this amount would be repaid over a multi-year period

Ontario Soccer Association
 (Operating as Ontario Soccer)
Notes to the Financial Statements
 December 31, 2018

12. Consolidated net activities of Ontario Soccer Association

	<u>Centre</u>	Ontario Soccer Association Non- <u>Consolidated</u>	<u>Total</u>
Revenue	\$ 1,878,338	\$ 11,345,453	\$ 13,223,791
Expenses	<u>1,485,796</u>	<u>11,703,718</u>	<u>13,189,514</u>
Excess (deficiency) of revenue over expenses before amortization	392,542	(358,265)	34,277
Amortization	<u>568,108</u>	<u>48,606</u>	<u>616,714</u>
Deficiency of revenue over expenses	<u>\$ (175,566)</u>	<u>\$ (406,871)</u>	<u>\$ (582,437)</u>

13. Deferred government grant

In 2010, the Centre received financial assistance from the Minister of Health Promotion as part of the Recreational Infrastructure Canada Program in Ontario (RinC). The Centre received financial assistance of \$20,087 for maintenance expenses (66.7% of expenditures totaling \$30,130) and \$53,333 for renovations for a storage facility. The portion of the grant received for the storage facility was recorded as deferred government grant and will be recognized as revenue over the life of the related asset.

In 2018, the Centre received financial assistance from the Ontario Trillium Foundation as part of the project to install an environmentally-friendly HVAC system, ensuring a better climate controlled space for physical activity. The Centre received financial assistance of \$150,000 for the infrastructure. The grant was recorded as deferred government grant and will be recognized as revenue over the life of the related asset.

	<u>Grant Amount</u>	<u>Accumulated Amortization</u>	<u>2018 Net</u>	<u>2017 Net</u>
RinC grant	\$ 53,333	\$ 12,664	\$ 40,669	\$ 42,002
Trillium HVAC	<u>150,000</u>	<u>5,000</u>	<u>145,000</u>	<u>-</u>
	<u>203,333</u>	<u>17,664</u>	<u>185,699</u>	<u>42,002</u>
Less: current portion (included deferred revenue)			<u>16,333</u>	<u>1,333</u>
			<u>\$ 169,336</u>	<u>\$ 40,669</u>

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Financial Statements

December 31, 2018

14. Objectives, policies and processes for managing capital

The Association's capital is comprised of the net amounts invested in property and equipment, internally restricted and unrestricted funds.

The Association and the Centre invest in property and equipment in order, primarily, to provide facilities for the soccer community. The Association's Board of Directors and the Centre's Board of Directors are responsible for the investment, and define the policies to be followed to ensure the smooth functioning of the facilities and their maintenance.

A reserve fund has been established by the Centre's Board of Directors to finance future repairs and replacements for the Centre. The Board of Directors approved an increase of \$20 to the hourly rate for the Centre's field rentals in order to establish a fund that would serve to provide the cash for larger capital maintenance items. Income for the year earned from these fees was \$69,640 (2017 - \$35,025). An amount of \$504,665 (2017 - \$335,025) is reserved for this purpose. Only major repairs and replacements are charged directly to this fund. Minor repairs and replacements are expensed either through the unrestricted fund or recorded as property and equipment, according to their nature.

The objective of the Association and the Centre is to maintain fund balances sufficient to meet both the annual working capital requirements and the annual maintenance of property and equipment. Management prepares the annual budget and cash flow forecast to meet the requirements of the unrestricted fund. After the budget is approved by the Association's Board, the Finance Committee and staff monitor the actual results against forecast.

The Centre has covenants with both the City and the bank which include maintaining the fund balances at deemed values and maintaining a debt service covenant. The Centre and the Association submit financial statements to the Bank on a quarterly basis, and to the City on an annual basis. Aside from the covenant breach indicated in Note 10, management is in compliance with its other covenants.

15. Contingencies

In 2018, various claims amounting to \$18,980,512 (2017 - \$16,390,075) have been filed against numerous parties, including the Association. The final outcome of these claims is not yet determinable.

16. Financial instruments

Ontario Soccer Association has the following risks associated with its financial instruments:

Credit risk

The Association does not consider credit risks on its accounts receivable to be significant given the high quality nature of the Association's sources of revenue.

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Financial Statements

December 31, 2018

16. Financial instruments (continued)

Liquidity risk

The Association does not consider liquidity risks on its accounts payable and long-term debt to be significant as the Association forecasts cash flows from operations, investing and financing activities to ensure it has sufficient funds available to meet current and foreseeable financial obligations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Association's notes payable and long-term debt are based on a fixed interest rate and not subject to interest at the Canadian bank prime rate, the Association is not subject to interest rate cash flow risk.