FINANCIAL STATEMENTS

Waterloo Minor Soccer Club

September 30, 2020

HFK
McRae & Wilson LLP
Chartered Professional Accountants

Independent Auditor's Report

To the Members of the
Waterloo Minor Soccer Club

Qualified Opinion
We have audited the financial statements of **Waterloo Minor Soccer Club**, which comprise the balance sheet as at **September 30, 2020** and the statement of operations and surplus, statement of development fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at **September 30, 2020** and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion
In common with many not-for-profit organizations, the organization reports revenues from sources, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenue, surplus, assets or equity accounts. The organization also derives income from Representative Teams raising funds and incurring expenses as these teams pay for additional costs not covered by registration revenue. Complete records were not supplied to allow for satisfactory audit verification. Accordingly, our verification of these revenues and expenses was impaired and was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues or expenses for the year ended September 30, 2020, current assets, current liabilities or operations surplus as at September 30, 2020.

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 are independent of the organization 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 qualified audit 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 organization’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 organization or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the organization’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 organization’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 organization’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 organization 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.

HFK McRae & Wilson LLP

Kitchener, Ontario
November 19, 2020

Chartered Professional Accountants
Licensed Public Accountants

Waterloo Minor Soccer Club

Balance Sheet

As at September 30

	2020	2019
ASSETS		
Current		
Cash and short-term investments		
- Operations	$ 468,391	$ 483,443
- Development fund	882,297	896,934
Prepaid expense	98,342	34,874
Accounts receivable - *Note 3*	26,717	29,746
Government remittances receivable	23,481	-
	1,499,228	1,444,997
Capital assets - *Note 4*	26,378	25,848
	$ 1,525,606	$ 1,470,845
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 133,342	$ 79,682
Deferred revenue - *Note 5*	188,267	165,304
Income taxes payable	1,414	3,910
	323,023	248,896
Surplus		
Operations	320,286	325,015
Development Fund - *Note 7*	882,297	896,934
	1,202,583	1,221,949
	$ 1,525,606	$ 1,470,845

See accompanying notes

On behalf of the Club

________________________ Director ________________________ Director

Waterloo Minor Soccer Club

Statement of Operations and Surplus

Year ended September 30

	2020 Actual	2020 Budget	2019 Actual
Revenue			
Outdoor recreational	$ 19,945	$ 357,725	$ 359,677
Outdoor competitive	199,239	307,470	293,156
Grassroots development	198,567	297,200	248,525
Indoor recreational	149,491	155,800	158,857
Skills development	29,969	25,850	20,476
Ontario player development league	237,101	292,100	221,390
Camps and special events	19,838	67,000	38,622
Tryout fees	17,825	17,250	15,050
Other	63,839	5,000	9,096
Government assistance	165,942	-	-
	1,101,756	1,525,395	1,364,849
Soccer Expenses			
Outdoor recreational	47,965	202,309	190,190
Outdoor competitive	95,112	207,866	168,215
Grassroots development	90,041	142,130	108,015
Indoor recreational	94,346	99,309	96,286
Skills development	10,782	12,625	8,794
Ontario player development league	151,526	219,110	143,426
Camps and special events	7,112	33,400	19,281
Tryout fees	10,015	9,900	7,260
Technical expenses	21,265	21,148	17,916
	528,164	947,797	759,383
	573,592	577,598	605,466
General expenses - *See Schedule*	573,852	566,421	543,614
(Deficit) surplus before tax for current year	(260)	11,177	61,852
Income tax	4,469	-	6,222
(Deficit) surplus for current year	(4,729)	$ 11,177	55,630
Surplus - beginning of year	325,015		269,385
Surplus - end of year	$ 320,286		$ 325,015

See accompanying notes

Waterloo Minor Soccer Club

Schedule of Expenses

Year ended September 30

	2020 Actual	2020 Budget	2019 Actual
General Expenses			
Advertising and printing	$ 14,718	$ 37,300	$ 5,555
Bad debt	150	-	-
Insurance	10,480	10,515	10,154
Meeting and social	4,227	5,500	5,345
Office administration	3,242	3,100	2,973
Office supplies and expenses	31,340	9,550	9,631
Postage	47	300	211
Salaries and benefits	428,237	390,804	403,815
Travel	2,559	3,500	2,569
Telephone	10,602	12,000	10,872
Amortization	9,112	10,152	9,385
Bank charges and interest	30,067	34,500	33,444
Professional fees	18,849	22,000	20,086
Repairs and maintenance	1,022	1,850	1,717
Computer support	539	800	941
Consultant	1,607	9,000	12,648
Volunteer appreciation	424	1,000	329
Scholarship	-	2,000	1,000
United wear	68	1,500	1,316
Club management software	6,562	11,050	11,623
	$ 573,852	$ 566,421	$ 543,614

See accompanying notes

Waterloo Minor Soccer Club

Statement of Development Fund

Year ended September 30

		2020		2019
Revenue				
Interest earned	$	9,092	$	14,378
Development fund fee		9,900		44,140
		18,992		58,518
Expenses				
Professional development		10,765		9,062
Equipment		22,864		-
		33,629		9,062
Net surplus (deficit)		(14,637)		49,456
Balance - beginning of year		896,934		847,478
Balance - end of year	$	882,297	$	896,934

See accompanying notes

Waterloo Minor Soccer Club

Statement of Cash Flows

Year ended September 30

	2020	2019
Cash flows from operating activities		
Cash receipts for services	$ 1,137,648	$ 1,408,581
Cash paid to suppliers and employees from Operations Fund	(1,096,125)	(1,277,655)
Cash paid to suppliers from Development Fund	(33,629)	(9,062)
Income tax paid	(6,965)	(2,519)
Interest received	9,092	14,378
Interest and bank charges paid	(30,067)	(33,444)
Cash flows from operating activities	(20,046)	100,279
Cash flows from investing activities		
Purchase of capital assets - *Note 4*	(9,643)	(2,371)
Cash flows from investing activities	(9,643)	(2,371)
Net (decrease) increase in cash and cash equivalents	(29,689)	97,908
Cash and cash equivalents - beginning of year - *Note 9*	1,380,377	1,282,469
Cash and cash equivalents - end of year - *Note 9*	$ 1,350,688	$ 1,380,377

See accompanying notes

1. Purpose of the Organization

Waterloo Minor Soccer Club is a local organization created to promote interest and participation in the game of soccer and to undertake and participate in projects and events required or intended to carry on and promote the participation in the game of soccer. The organization is incorporated as a not-for-profit organization without share capital.

2. Significant Accounting Policies

Basis of Presentation

These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Financial Instruments

Waterloo Minor Soccer Club's financial instruments consist of short-term investments, accounts receivable, government remittances receivable, accounts payables and accruals, deferred revenue, and income taxes payable. Short-term investments are initially recognized and subsequently measured at fair value without adjustment for transaction costs that would be incurred on disposal. Changes in fair value are recognized in income in the period. All other financial instruments are initially recognized at fair value and are subsequently measured at amortized cost adjusted by transactions costs, which are amortized over the expected life of the instrument.

Waterloo Minor Soccer Club has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. Transacting in financial instruments exposes the Company to certain financial risks and uncertainties. These risks include:

(a) Credit risk

The Waterloo Minor Soccer Club's exposure to credit risk is as indicated by the carrying value amounts of the financial assets. The Waterloo Minor Soccer Club is satisfied that the risk of non-payment has been appropriately provided for. See Note 3 for concentration of credit risk.

(b) Liquidity risk

The Waterloo Minor Soccer Club's exposure to liquidity risk is dependent on the collection of accounts receivable and raising of funds to meet commitments and sustain operations. The Waterloo Minor Soccer Club controls liquidity risk by management of working capital and cash flows.

2. Significant Accounting Policies - continued

Financial Instruments - continued

(c) Interest rate risk

The Waterloo Minor Soccer Club's exposure to interest rate risk is limited to the interest earned on its short term investments.

Cash and Cash Equivalents

The organization considers all highly liquid instruments purchased with an original maturity of 6 months or less to be cash equivalents.

Contributions

Waterloo Minor Soccer Club follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is recorded on a declining balance basis at the following annual rates:

Computer equipment	30%
Computer software	100%
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	5 year straight-line

Half-rates are applied in the year of acquisition.

Management 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 reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Actual results could differ from those estimates.

2. Significant Accounting Policies - continued

Income Taxes

The income of the organization is exempt from income tax, with the exception of income generated by investments. The organization has utilized the taxes payable method, in which the organization reports as an expense, the cost of current income taxes for that year, determined in accordance with the rules established by taxation authorities.

Contributed Services

Volunteers contribute many hours per year to assist the organization. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Revenue Recognition

The organization's revenue is derived predominantly from a wide variety of programs, including indoor and outdoor house league, representative teams, grassroots development league, Ontario player development league, skills development courses, various camps and tryouts. Additional revenue is earned through the sales of field rentals.

Revenue related to programming is recognized on commencement of the program. Refunds relating to programming are recognized as incurred in accordance with the organization's official refund policy.

Revenue relating to field rentals is recognized upon the billing of the customer, which takes place immediately following the usage of the respective fields.

Government Assistance

Government assistance relating to current expenses and revenue is included in the determination of net income for the period if there is reasonable assurance of collection. If there is no reasonable assurance of collection, the recognition of the government assistance is deferred to the period when such assurance is obtained.

3. Accounts Receivable

In the current period, one account represents 67% of the outstanding accounts receivable balance as at year-end (2019 – one customer represented 72%).

No allowance for doubtful accounts is included in the year end accounts receivable balance (2019 - $nil).

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2020	Net Book Value 2019
Computer equipment	$ 88,971	$ 74,861	$ 14,110	$ 12,355
Computer software	10,220	10,220	-	-
Furniture and fixtures	43,845	39,478	4,367	1,840
Office equipment	18,947	16,152	2,795	3,494
Leasehold improvements	15,263	10,157	5,106	8,159
	$ 177,246	$ 150,868	$ 26,378	$ 25,848

During the year $9,643 (2019 - $2,371) of capital assets was purchased with cash.

5. Deferred Revenue

Deferred revenue represents the registration and sponsorship received for the next year's programs.

6. Operations Fund

The Operations Fund represents the undistributed earnings since incorporation of the organization after allocations to the Development Fund. The organization has determined a balance of $50,000 of unassigned funds must be in this fund before transfers to other funds can be initiated.

7. Development Fund

The Development Fund may only be used to improve Waterloo Minor Soccer facilities and programs within the Region of Waterloo.

8. Commitments

The Company has a commitment under an operating lease for office equipment and field usage requiring minimum net annual payments as follows:

2020	$	24,415
2021		2,685
2022		2,685
2023		2,685
2024		1,342
	$	33,812

9. Cash and Cash Equivalents

Cash and cash equivalents are comprised of:

	2020	2019
Cash and short-term investments		
Operations	$ 468,391	$ 483,443
Development fund	882,297	896,934
	$ 1,350,688	$ 1,380,377

10. Representative Team Revenue and Expenses – see Auditors' Report

The organization has 16 representative/competitive teams (2019 - 20 teams) which individually raise funds and incur expenses not covered by registration revenue. The organization shows revenues collected of $121,073 (2019 - $246,657) and expenses incurred of $120,763 (2019 - $247,193) from 14 representative/competitive teams, with two teams not providing their revenue and expenses.

11. Total Excess (Deficiency) of Revenues Over Expenses

During the year, the organization had a total deficiency of revenues over expenses of $19,366 (2019 – total excess of revenues over expenses $105,086).

12. Subsequent Event

On January 30, 2020, the World Health Organization (WHO) declared a health emergency as a result of the 2019 Novel Coronavirus (COVID-19) outbreak. On March 17, 2020, the Province of Ontario, Canada declared a state of emergency which included various economic measures.

In response to the above declarations, the Organization cancelled the outdoor recreational league. The outdoor competitive, grassroots development and Ontario player development leagues ran, but no games were held.

Although the disruption from COVID-19 is expected to be temporary, the deterioration of the economic environment and the impact on normal operating procedures will result in fluctuations on the Organization's financial activity and results until a resolution to COVID-19 is found.

In order to mitigate the impact of COVID-19 on the economy, the Canadian Federal Government and the Province of Ontario have implemented many supports for business including access to below-market interest rate credit and wage subsidies. As at the report date, the Organization has received $165,942 in subsidies.

13. Comparative Amounts

Certain comparative amounts have been reclassified to conform with the financial statement presentation adopted in the current year.