



Consolidated Financial Statements

Ontario Soccer Association

(Operating as Ontario Soccer)

December 31, 2020

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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, 2020, 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, 2020, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Association incurred a deficiency of revenue over expenses of \$1,785,746 during the year ended December 31, 2020 and, as of that date, the Association's current liabilities exceeded its current assets by \$2,991,895. These conditions along with other matters set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 ASNPO, 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
June 26, 2021

Chartered Professional Accountants
Licensed Public Accountants

Ontario Soccer Association

(Operating as Ontario Soccer)

Consolidated Statement of Financial Position

December 31

2020

2019

Assets (Note 4)

Current

Cash	\$ 193,415	\$ 1,141,755
Accounts receivable	372,699	922,728
Prepaid expenses and inventories	<u>243,948</u>	<u>237,188</u>
	810,062	2,301,671
Accounts receivable	275,000	375,000
Property and equipment (Note 5)	<u>6,654,974</u>	<u>7,225,647</u>
	<u>\$ 7,740,036</u>	<u>\$ 9,902,318</u>

Liabilities and fund balances (Note 4)

Current

Bank overdraft	\$ 35,328	\$ -
Accounts payable and accrued liabilities (Note 6)	1,591,761	1,074,104
Notes payable (Note 7)	532,000	584,100
Deferred revenue	1,189,294	1,719,496
Current portion of deferred government grant (Note 8)	16,333	16,333
Current portion of capital lease obligation (Note 9)	25,299	30,053
Current portion of long-term debt (Note 10)	<u>411,942</u>	<u>308,565</u>
	3,801,957	3,732,651
Deferred government grant (Note 8)	136,700	153,033
Capital lease obligation (Note 9)	7,769	33,068
Long-term debt (Note 10)	<u>2,599,768</u>	<u>3,003,978</u>
	<u>6,546,194</u>	<u>6,922,730</u>
Fund balances (Note 11)		
Unrestricted	(2,904,428)	(1,335,680)
Invested in property and equipment	3,490,231	3,743,738
Internally restricted	<u>608,039</u>	<u>571,530</u>
	<u>1,193,842</u>	<u>2,979,588</u>
	<u>\$ 7,740,036</u>	<u>\$ 9,902,318</u>

Contingencies (Note 15)

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

2020

2019

Revenue (Notes 12 and 13)

Ontario Soccer Association

Registration and reporting fees	\$ 1,348,923	\$ 6,053,502
Clinic and course fees	601,442	874,430
Government assistance (Note 2)	474,236	-
Grants	434,257	367,148
Program fees	286,218	2,134,263
Sponsorships	284,645	631,590
Corporate	15,961	38,795

3,445,682 **10,099,728**

The Soccer Centre (Ontario)

Rental income	664,439	1,477,219
League fees	147,328	371,134
Government assistance (Note 2)	112,551	-
Facilities	42,386	75,276
Other	8,966	16,171
Government grant (Note 8)	16,333	16,333
Sponsorships	2,761	23,145

994,764 **1,979,278**

4,440,446 **12,079,006**

Expenses (Notes 12 and 13)

Ontario Soccer Association

Salaries and benefits	2,183,828	3,022,849
Canadian Soccer Association levy	808,010	2,724,976
Programs	604,141	2,661,126
Insurance	588,667	742,523
Clinics and courses	217,999	363,354
General and administrative	190,083	276,340
Corporate	145,168	286,644
Amortization	40,427	50,682

4,778,323 **10,128,494**

The Soccer Centre (Ontario)

Amortization	533,698	571,224
Salaries and benefits	320,410	531,129
Maintenance and utilities	243,772	309,986
League	135,529	333,726
Interest (Note 7 and 10)	122,573	137,364
Administration	91,887	116,917
Loss on sale of property and equipment	-	128,755

1,447,869 **2,129,101**

6,226,192 **12,257,595**

Deficiency of revenue over expenses (Note 13)

\$ (1,785,746) **\$ (178,589)**

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	2020 Total	2019 Total
Fund balances, beginning of year	\$ (1,335,680)	\$ 3,743,738	\$ 571,530	\$ 2,979,588	\$ 3,158,177
Excess (deficiency) of revenue over expenses	(1,227,954)	(557,792)	-	(1,785,746)	(178,589)
Transfer to internally restricted fund	(36,869)	-	36,869	-	-
Property and equipment additions	(3,452)	3,452	-	-	-
Repayment of long-term debt	<u>(300,833)</u>	<u>300,833</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ (2,904,788)</u>	<u>\$ 3,490,231</u>	<u>\$ 608,399</u>	<u>\$ 1,193,842</u>	<u>\$ 2,979,588</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

2020

2019

Increase (decrease) in cash

Operating

Deficiency of revenue over expenses	\$ (1,785,746)	\$ (178,589)
Items not involving cash		
Amortization	574,125	621,906
Deferred government grant recognized	(16,333)	(16,333)
Loss on sale of property and equipment	-	128,755
	<u>(1,227,954)</u>	<u>555,739</u>

Change in non-cash working capital items

Accounts receivable	650,029	233,490
Prepaid expenses and inventories	(6,760)	126,191
Accounts payable and accrued liabilities	517,657	(97,387)
Deferred revenue	<u>(530,202)</u>	<u>106,114</u>
	<u>630,724</u>	<u>368,408</u>

(597,230) 924,147

Financing

Repayment of notes payable	(52,100)	(10,000)
Repayment of capital lease obligation	(30,053)	(30,053)
Increase in bank overdraft	35,328	-
Repayment of long-term debt	<u>(300,833)</u>	<u>(389,536)</u>
	<u>(347,658)</u>	<u>(429,589)</u>

Investing

Purchase of property and equipment	<u>(3,452)</u>	<u>(20,504)</u>
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(Decrease) increase in cash

(948,340) 474,054

Cash

Beginning of year	<u>1,141,755</u>	<u>667,701</u>
End of year	<u>\$ 193,415</u>	<u>\$ 1,141,755</u>

See accompanying notes to the consolidated financial statements.

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Consolidated Financial Statements

December 31, 2020

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. Impact of COVID-19 and going concern basis of presentation

The outbreak of a novel strain of coronavirus (“COVID-19”) was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The consequences of the COVID-19 pandemic have materially and adversely affected the ability of the Association to maintain its normal activities and therefore, its operating results have been negatively impacted. The measures adopted by the federal and provincial government have required the temporary closure of the Association. The Association was able to reduce the impact of the events related to COVID-19 through the application and receipt of funding of government assistance including the Canada Emergency Wage Subsidy (CEWS) of \$535,993, Canada Emergency Rent Subsidy (CERS) of \$20,303 and the COVID-19 Energy Assistance Program of \$30,491, of which \$62,709 was in accounts receivable at year end, as well as through significant cost cutting measures.

At December 31, 2020, the Association has current liabilities that exceed its current assets by \$2,991,895, a deficiency of revenue over expenses of \$1,785,746, and the unrestricted fund balance is in a deficit position of \$2,904,788. The Association has breached its debt covenant as disclosed in Note 10. Management 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, generates an increase in working capital. The Association anticipates having enough funds to meet its general and administrative expenses for at least the next twelve months. However, given limited financial resources, the Association will require, and management is actively seeking, additional financing through various means including grants and government assistance, in order to secure enough funding for its existing commitments and meet all its general and administrative costs. There is no assurance that management’s initiatives will be successful, and uncertainty remains as to the ability of the Association to continue operating as a going concern.

These financial statements have been prepared in accordance with Canadian accounting standards for not-for profit organizations (“ASNPO”) on a going concern basis, meaning the Association is viewed as being able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Association’s ability to continue as a going concern. The carrying amounts of the assets, liabilities and expenses presented in these financial statements and the statement of financial position classifications have not been adjusted as would be required if the going concern assumption was not appropriate. Such adjustments could be material.

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Financial Statements

December 31, 2020

3. Summary of significant accounting policies

The consolidated financial statements have been prepared by management in accordance with ASNPO, the more significant policies 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, 2020 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.

Fund accounting

The accounts are maintained in accordance with the principles of fund accounting, whereby fund balances of the Association are classified for accounting and reporting purposes into funds to be used according to the directions of the Board of Directors (the "Board"). The unrestricted, invested in property and equipment and internally restricted funds are described further in Note 11.

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, bank overdraft, accounts payable, notes payable and long-term debt.

Financial assets and liabilities are initially recorded at fair value. Cash, accounts receivable, bank overdraft and accounts payable are subsequently stated at amortized cost. Notes payable and long-term debt are 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 5(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

Ontario Soccer Association

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Notes to the Financial Statements

December 31, 2020

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

Building costs and leasehold 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 Vaughan (the "City").

Property and equipment are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing the net carrying value to its fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of financial activities. Any impairment recognized is not reversed.

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.

Specific funding for the purchase of property and equipment is deferred and amortized over the useful life of the related property and equipment so that revenue recognition corresponds with the related amortization expense.

Government assistance is recognized in the statement of financial activities when received or receivable in the year to which it relates.

Contributed services and goods

The work of the Association is dependent on contributed 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 are volunteers who serve without remuneration.

Contributed materials normally purchased by the Association are not recorded in the accounts. The fair value of these contributed materials is not readily determinable and, as such, they are not reflected in these consolidated financial statements.

Ontario Soccer Association
(Operating as Ontario Soccer)
Notes to the Financial Statements
December 31, 2020

4. Statement of financial position consolidation

	Association Non- Consolidated	Centre	Eliminating entries	Total
Assets				
Current				
Cash	\$ 180,329	\$ 13,086	\$ -	\$ 193,415
Accounts receivable	311,004	61,695	-	372,699
Prepaid expenses and inventories	239,095	4,853	-	243,948
Due from related party	171,588	-	(171,588)	-
	<u>902,016</u>	<u>79,634</u>	<u>(171,588)</u>	<u>810,062</u>
Investment in the Centre (Note 12)	2,000,000	-	(2,000,000)	-
Accounts receivable	275,000	-	-	275,000
Property and equipment	198,170	6,456,804	-	6,654,974
	<u>\$ 3,375,186</u>	<u>\$ 6,536,438</u>	<u>\$ (2,171,588)</u>	<u>\$ 7,740,036</u>
Liabilities and fund balances				
Current				
Bank overdraft	\$ -	\$ 35,328	\$ -	\$ 35,328
Accounts payable and accrued liabilities	1,550,355	41,406	-	1,591,761
Notes payable	532,000	-	-	532,000
Due to related party	-	171,588	(171,588)	-
Deferred revenue	1,166,544	22,750	-	1,189,294
Current portion of deferred government grant	-	16,333	-	16,333
Current portion of capital lease obligation	25,299	-	-	25,299
Current portion of long-term debt	-	411,942	-	411,942
	<u>3,274,198</u>	<u>699,347</u>	<u>(171,588)</u>	<u>3,801,957</u>
Deferred government grant	-	136,700	-	136,700
Capital lease obligation	7,769	-	-	7,769
Long-term debt	-	2,599,768	-	2,599,768
	<u>3,281,967</u>	<u>3,435,815</u>	<u>(171,588)</u>	<u>6,546,194</u>
Equity of parent organization (Note 12)	-	2,000,000	(2,000,000)	-
Fund balances				
Unrestricted	(104,951)	(2,799,477)	-	(2,904,428)
Invested in property and equipment	198,170	3,292,061	-	3,490,231
Internally restricted	-	608,039	-	608,039
	<u>93,219</u>	<u>1,100,623</u>	<u>-</u>	<u>1,193,842</u>
	<u>\$ 3,375,186</u>	<u>\$ 6,536,438</u>	<u>\$ (2,171,588)</u>	<u>\$ 7,740,036</u>

Ontario Soccer Association
(Operating as Ontario Soccer)
Notes to the Financial Statements
December 31, 2020

5. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Lease interest in land (a)	\$ 43	\$ -	\$ 43	\$ 43
Building (b)	8,584,559	4,754,913	3,829,646	4,044,785
Indoor turf	330,350	181,693	148,657	181,692
Outdoor turf	519,438	357,113	162,325	227,254
Outdoor turf facilities and equipment	910,670	490,377	420,293	511,360
Outdoor stadium substructure	2,373,386	543,901	1,829,485	1,928,376
Furniture and equipment	749,953	591,929	158,024	204,323
Computer equipment	175,659	146,131	29,528	41,673
Leasehold improvements	<u>107,093</u>	<u>30,120</u>	<u>76,973</u>	<u>86,141</u>
	<u>\$ 13,751,151</u>	<u>\$ 7,096,177</u>	<u>\$ 6,654,974</u>	<u>\$ 7,225,647</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.

6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities at year end are government remittances owing of \$2,298 (2019 - \$37,691).

7. Notes payable

Unsecured notes payable, repayable at various maturity dates up to August 2021, bearing interest at 4.00%.

Interest expense on the notes payable amounted to \$22,025 (2019 - \$24,578). The interest was paid by the Centre.

Ontario Soccer Association
 (Operating as Ontario Soccer)
Notes to the Financial Statements
 December 31, 2020

8. Deferred government grant

	<u>Grant Amount</u>	<u>Accumulated Amortization</u>	<u>2020 Net</u>	<u>2019 Net</u>
RinC grant	\$ 53,333	\$ 15,300	\$ 38,033	\$ 39,366
Trillium HVAC	<u>150,000</u>	<u>35,000</u>	<u>115,000</u>	<u>130,000</u>
	<u>203,333</u>	<u>50,300</u>	<u>153,033</u>	<u>169,366</u>
Less: current portion			<u>16,333</u>	<u>16,333</u>
			<u>\$ 136,700</u>	<u>\$ 153,033</u>

9. Capital lease obligation

	<u>2020</u>	<u>2019</u>
Capital lease, 6% effective interest rate, with 60 monthly interest and principal payments of \$951 maturing July 2021	\$ 6,654	\$ 18,063
Capital lease, 6% effective interest rate, with 60 monthly interest and principal payments of \$1,554 maturing July 2022	<u>26,414</u>	<u>45,058</u>
	33,068	63,121
Less: current portion	<u>25,299</u>	<u>30,053</u>
Long-term portion	<u>\$ 7,769</u>	<u>\$ 33,068</u>

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

2021	\$ 25,299
2022	<u>7,769</u>
	<u>\$ 33,068</u>

Ontario Soccer Association
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Notes to the Financial Statements
 December 31, 2020

10. Long-term debt

	<u>2020</u>	<u>2019</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 prime plus 0.75%, repayable in blended monthly payments of \$43,207 over 7 years ending on May 31, 2027.	\$ 3,011,710	\$ 3,312,543
Less: current portion	<u>411,942</u>	<u>308,565</u>
Long-term portion	<u>\$ 2,599,768</u>	<u>\$ 3,003,978</u>

The Centre incurred interest expense during the year of \$100,548 (2019 - \$112,786) with respect to the long-term debt. The Centre is subject to a covenant to maintain a debt service coverage ratio of not less than 1.0 and at the year-end date the Centre is in breach of this covenant. However, the bank has provided a waiver indicating it does not intend to require repayment of the long-term debt until April 1, 2022.

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

2021	\$ 411,942
2022	425,319
2023	439,131
2024	453,391
2025	468,114

11. 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 and the Centre's Board are responsible for the investment and define the policies to be followed to ensure the smooth functioning of the facilities and their maintenance.

An internally restricted fund has been established by the Centre's Board to finance future repairs and replacements for the Centre. The Centre's Board 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 \$36,869 (2019 - \$66,865). An amount of \$608,399 (2019 - \$571,530) is reserved for this purpose. Only major repairs and replacements are charged directly to this fund. Reimbursement for minor capital purchases are charged to 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.

Ontario Soccer Association

(Operating as Ontario Soccer)

Notes to the Financial Statements

December 31, 2020

11. Objectives, policies and processes for managing capital (continued)

The Centre has covenants with the bank, which include maintaining the fund balances at deemed values and maintaining a debt service ratio. 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 9, management is in compliance with its other covenants.

12. 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 or 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 organization. The transactions are recorded at management's best estimate of fair market values. Amounts due to the Association are unsecured, non-interest bearing and due on demand.

	<u>2020</u>	<u>2019</u>
Due to parent organization (Note 4), beginning of year	\$ 26,873	\$ 147,978
Investment in the Centre (Note 4), beginning of year	<u>2,000,000</u>	<u>2,000,000</u>
	2,026,873	2,147,978
Fees charged to the Association by the Centre:		
Office space rental (included in rental income)	(89,137)	(89,137)
Indoor soccer rental fees (included in rental income)	(53,920)	(148,580)
Outdoor soccer rental fees (included in rental income)	-	(57,810)
Canada room rental (included in rental income)	<u>(2,000)</u>	<u>(2,849)</u>
	(145,057)	(298,376)
Fees charged to the Centre by the Association (included in interest expense)	22,025	24,578
Operating expenses of the Centre paid by the Association	<u>267,747</u>	<u>152,693</u>
Due to parent organization (Note 4), end of year	171,588	26,873
Investment in the Centre (Note 4), end of year	<u>2,000,000</u>	<u>2,000,000</u>
	\$ 2,171,588	\$ 2,026,873

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, 2020

13. Consolidated net activities of Ontario Soccer Association

	Association Non- Consolidated	Centre	Total
Revenue	\$ 3,445,682	\$ 994,764	\$ 4,440,446
Expenses	<u>(4,778,323)</u>	<u>(1,447,869)</u>	<u>(6,226,192)</u>
Deficiency of revenue over expenses	<u>\$ (1,332,641)</u>	<u>\$ (453,105)</u>	<u>\$ (1,785,746)</u>

14. 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. The Association's allowance for doubtful accounts is \$Nil (2019 - \$Nil).

Liquidity risk

The Association does not consider liquidity risks on its bank overdraft, accounts payable, notes 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. As outlined in Note 2, there is material uncertainty around the Association's ability to continue as a going concern.

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. The Association is subject to interest rate cash flow risk as the long-term debt is subject to interest at the Canadian bank prime rate.

15. Contingencies

In 2020, various claims amounting to \$15,200,000 (2019 - \$16,000,000) have been filed against numerous parties, including the Association. The final outcome of these claims is not yet determinable.

16. Comparative figures

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.