

Nepean Hotspurs Soccer Club

Financial Statements

September 30, 2020

Nepean Hotspurs Soccer Club

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Auditor's Report

To the Membership
Nepean Hotspurs Soccer Club

Opinion

I have audited the financial statements of Nepean Hotspurs Soccer Club, which comprise the statement of financial position as at September 30, 2020 and the statements of operations, Changes in Net Assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nepean Hotspurs Soccer Club as at September 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with the applicable financial reporting framework.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted accounting standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the club in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework, 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 these financial statements, management is responsible for assessing the club's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the club or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the club's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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Auditor's Report

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 my 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 club'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 club's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My 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 club 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.

I 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 I identify during my audit.



Vanguard Professional Corporation
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Ottawa, Ontario
December 03, 2020

Nepean Hotspurs Soccer Club

Statement of Financial Position

September 30, 2020

	2020	2019
Assets		
Current Assets		
Cash	\$ 74,120	\$ 16,681
Term deposit (Note 2)	5,074	5,234
Inventory	21,984	19,864
Prepaid (Note 3)	21,418	27,924
Total Current Assets	122,596	69,703
Property and equipment, net of accumulated amortization (Note 4)	3,629	4,536
Total Assets	\$ 126,225	\$ 74,239
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,120	\$ 40,000
Deferred revenue (Note 5)	19,668	16,625
Total Current Liabilities	28,788	56,625
Long term debt (Note 6)	40,000	-
Total Liabilities	68,788	56,625
Net Assets		
Unrestricted	57,437	17,614
Total Liabilities and Net Assets	\$ 126,225	\$ 74,239

Approved on Behalf of the Board:



_____, Director

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

Nepean Hotspurs Soccer Club

Statement of Operations

For the Year Ended September 30, 2020

	2020	2019
Revenue		
Summer program registration	\$ 133,805	\$ 338,607
Winter program registration	171,467	160,366
Facility rental	22,925	42,457
Tournaments, fundraising and other	1,038	13,754
Total revenue	329,235	555,184
Program expenses		
Program facilities	121,415	222,398
Coaching and technical development	27,556	63,072
League and association fees	25,835	49,068
Uniform and soccer equipment	7,825	16,730
Referee fees (recoveries)	(235)	10,183
Tournaments and other (recoveries)	(250)	528
Cost of goods sold	182,146	361,979
Gross profit	147,089	193,205
General and administrative expenses		
Salaries and wages	49,492	101,503
Rental	19,802	22,128
Interest and bank charges	11,555	19,200
Professional fees	8,151	7,789
General and administrative	6,950	8,900
Utilities	6,456	6,372
Insurance	4,938	3,869
Office expenses	3,239	5,609
Travel expenses	2,065	1,745
Advertising and promotion	1,010	2,565
Government wage subsidies	(7,299)	-
Bad debt expense	-	7,820
Total general and administrative expenses	106,359	187,500
Excess of revenues over expenses before amortization for the year	40,730	5,705
LESS: Amortization of capital assets	(907)	(1,134)
Net excess of revenue over expenses	\$ 39,823	\$ 4,571

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

Nepean Hotspurs Soccer Club

Statement of Changes in Net Assets

For the Year Ended September 30, 2020

	2020	2019
Net assets, unrestricted, beginning of the year	\$ 17,614	\$ 13,043
Net excess of revenues over expenses	39,823	4,571
Net assets, unrestricted, end of the year	\$ 57,437	\$ 17,614

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

Nepean Hotspurs Soccer Club

Statement of Cash Flows

For the Year Ended September 30, 2020

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess of revenues over expenses	\$ 39,823	\$ 4,571
Depreciation and amortization	907	1,134
Decrease (increase) in inventories	(2,120)	1,797
Decrease (increase) in prepaid expense and other assets	6,506	(5,072)
Increase (decrease) in accounts payable and accrued expenses	(30,880)	10,432
Increase in deferred revenue	3,043	1,245
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	17,279	14,107
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	40,000	-
NET CASH USED BY FINANCING ACTIVITIES	40,000	-
Net increase in cash and cash equivalents	57,279	14,107
Cash and cash equivalents at beginning of year	21,915	7,808
Cash and cash equivalents at end of year	\$ 79,194	\$ 21,915
Cash and cash equivalents consist of the following:		
Cash	\$ 74,120	\$ 16,681
Term deposit	5,074	5,234
	\$ 79,194	\$ 21,915

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

Nepean Hotspurs Soccer Club

Notes to the Financial Statements

For the Year Ended September 30, 2020

1. Significant Accounting Policies

a. Nature of business

Nepean Hotspurs Soccer Club (the club) was incorporated on August 5, 2014 as a Not-for-Profit organization under the laws of Ontario, and is exempt from taxation under the subsection 149(1)(l) of the Income Tax Act of Canada. The club is engaged in the business of promoting and developing its players, coaches, and officials by training and education resulting in a wholesome team sport for all participants.

b. Cash and cash equivalents

Cash and cash equivalents includes short-term investments and highly liquid investments in money market instruments which are carried at the lower of cost and market value with a maturity date of three months or less from the acquisition date. These are valued at cost which approximates market value.

c. Inventories

Inventory is stated at the lower of cost and net realizable value. Cost is determined on an average cost basis.

d. Property and equipment

Property and equipment is carried at cost. Depreciation is calculated using the declining balance method over estimated useful lives. Depreciation expense for September 30, 2020 was \$ 907 (2019 - \$ 1,134).

e. Financial instruments

i. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The club's main credit risks relate to its accounts receivable. The club assesses, on a continuous basis, accounts receivable on the basis of amounts it virtually certain to receive.

ii. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

iii. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The club does not operate in any other currency aside from Canadian dollars, and as such, the club is not subject to currency risk.

iv. 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 club is exposed to interest rate risk on its fixed interest rate financial instruments.

Nepean Hotspurs Soccer Club

Notes to the Financial Statements

For the Year Ended September 30, 2020

1. Significant Accounting Policies

e. Financial instruments

v. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since there are no marketable financial instruments held by the club, the club is not subject to this risk.

vi. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Trade accounts payable and accrued liabilities are generally paid within 30 days.

f. Revenue recognition

The club derives its revenue mainly from player registration fees, tournaments, donations and fundraising activities using the deferred method.

Player's registration fees and program fees are set annually by the Board of Directors and are recognized as revenue proportionately over the fiscal year they relate to if the amount can reasonably be estimated and collection is reasonable assured.

Tournaments revenue is recognized as revenue when the tournaments have occurred. Tournament registration fees are set annually by the Board of Directors in conjunction with the District Associations.

Donation and fundraising revenues are recognized as they are received and recorded in the fiscal year to which they relate. These

financial statements do not reflect the value associated with the numerous hours contributed by the volunteers to assist the club in carrying out its activities.

g. Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have an impact on future periods.

Nepean Hotspurs Soccer Club

Notes to the Financial Statements

For the Year Ended September 30, 2020

2. Short term investments

Short term investments are carried at the lower of cost or market value and consist of the following:

	2020	
	Carrying Value	Market Value
Non-redeemable 1.83% GIC's. Principal and interest receivable at maturity on December 12, 2020.	\$ 5,074	\$ 5,074

	2019	
	Carrying Value	Market Value
Non-redeemable 2.22% GIC's. Principal and interest receivable at maturity on November 15, 2019.	\$ 5,234	\$ 5,234

3. Prepaid expenses

Prepaid expenses consist of the following:

	2020		2019	
Winter domes fees	\$ 15,000	\$	15,000	
Insurance	2,678		2,636	
Rent deposits	1,874		-	
Field maintenance	1,140		-	
Others Referee fees Association fees	726		-	
	-		6,538	
	-		3,750	
Total	\$ 21,418	\$	27,924	

4. Property and equipment

Property and equipment consist of the following:

	2020			2019	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	
Equipment	\$ 12,834	\$ (9,205)	\$ 3,629	\$	4,536

Nepean Hotspurs Soccer Club

Notes to the Financial Statements

For the Year Ended September 30, 2020

5. Deferred revenue

The deferred revenue, in the past, always represented the tryouts and the indoor Recreational Program fees paid before the winter season. Due to the uncertainty of COVID-19, winter registration is pending for 2021 fiscal year so that such deferred revenue does not exist this year. The deferred revenue this year mainly represents the credits for any registration that was cancelled due to COVID-19. For the registrants who did not request a refund, the club will allow the registrants to apply the credits for future registrations.

6. Long-term debt

The club has a Canada Emergency Bank Account (CEBA) loan from the Government of Canada. The loan balance is \$40,000 as at September 30, 2020. The loan bears no interest until December 31, 2022. There could also be a forgiven amount of 25% (up to \$10,000) if 75% of the loan (\$30,000) is repaid on or before December 31, 2022. The club is considering paying off the loan before the set date in order to take advantage of the 25% loan forgiveness.

7. Commitments

The club operates under the terms of a lease agreement for office space covering the period from February 1, 2018 to January 31, 2023. The minimum monthly rent payment is \$1,528. The club also has an option to renew for a further five year period at a rate to be negotiated.

The club, in the past years, usually had also committed to an agreement for the use of a sports facility, with payments totaling around \$150,000. The final amount for 2020 was adjusted to \$109,926 due to COVID-19. For 2021 fiscal year, the club has committed to a similar agreement with \$15,000 refundable deposit paid in August of 2020.

8. Subsequent events

In the second half of the fiscal year 2020, there was a global outbreak of COVID-19. After the World Health Organization declared a global pandemic on Mar 11, 2020, governments worldwide including Canada enacted emergency measures such as travel bans, legally enforced or self-imposed quarantine periods, social distancing to businesses, governments and other organizations. The club had hence cancelled all games and activities for fiscal year 2020, resulting in dramatically decreased revenue.

The situation improved after the year end but is on-going. However, the duration and impact of the COVID-19 outbreak was unknown at the time the audit was completed, as was the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the club and its operation in the future periods.