

Appendix C – Independent Financial Statements

Audited financial statements include:

Independent Auditor's Report

Statement of Financial Position

Statement of Operations and Change in Net Assets

Statement of Changes in Cash Flows

Notes to the Financial Statements

Ottawa Tennis and Lawn Bowling Club
Financial Statements
November 30, 2020

McKECHNIE & Co.

Suite 500, 1390 Prince of Wales Drive
Ottawa, Ontario, K2C 3N6

Independent Auditor's Report

To the Members of Ottawa Tennis and Lawn Bowling Club

Opinion

We have audited the financial statements of Ottawa Tennis and Lawn Bowling Club (the Entity), which comprise the statement of financial position as at November 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 our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at November 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.

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 Entity 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 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 Entity'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 Entity'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 Entity 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.



Chartered Professional Accountants, Licensed Public Accountant

Ottawa, ON
February 23, 2021

Ottawa Tennis and Lawn Bowling Club
Statement of Financial Position
As at November 30, 2020

	2020	2019
Assets		
Current		
Cash	\$ 557,968	\$ 440,736
Accounts receivable	24,116	10,401
Inventory	148	1,897
Prepaid expenses	32,733	17,639
	<u>614,965</u>	<u>470,673</u>
Capital (note 4)	1,152,977	1,185,600
	<u>\$ 1,767,942</u>	<u>\$ 1,656,273</u>
Liabilities, Net Assets and Share Capital		
Current		
Accounts payable and accrued liabilities	\$ 19,955	\$ 86,784
Government remittances payable	30,370	10,221
Deferred revenue (note 5)	249,677	132,336
Current portion of long term debt (note 6)	16,377	13,901
	<u>316,379</u>	<u>243,242</u>
Long Term Debt (note 6)	309,327	278,913
	<u>625,706</u>	<u>522,155</u>
Net Assets and Share Capital		
Net assets invested in capital assets	867,273	892,786
Net assets - unrestricted	274,963	241,332
	<u>1,142,236</u>	<u>1,134,118</u>
	<u>\$ 1,767,942</u>	<u>\$ 1,656,273</u>

On behalf of the Board:

_____ President

_____ Treasurer

See accompanying notes to the financial statements

Ottawa Tennis and Lawn Bowling Club
Statement of Operations and Change in Net Assets
For the year ended November 30, 2020

	2020	2019
Revenue		
Tennis membership	\$ 357,888	\$ 435,651
Tennis camps	40,845	184,010
Tennis lessons	77,525	69,826
Pool membership	37,424	75,200
Swimming lessons	0	5,426
Beach volleyball	15,438	90,229
Café	12,634	46,745
Fundraising	2,000	18,535
Grants	151,624	35,747
Donations	26,766	3,330
Other	5,497	24,569
	<u>727,641</u>	<u>989,268</u>
Expense		
Advertising and promotion	9,100	23,775
Amortization	56,177	49,391
Bank charges and credit card fees	26,243	23,069
Café supplies	1,131	(420)
Club house restoration expense	2,069	2,687
Contracted services - grounds and other	62,328	111,794
Contracted services - tennis	67,468	55,156
Insurance	21,733	19,925
Interest on long term debt	12,982	6,272
Maintenance and supplies	65,803	77,620
Miscellaneous	14,134	9,174
Office	7,763	15,907
Professional fees	21,129	23,458
Property taxes	32,370	36,861
Salaries and benefits	297,466	296,537
Shareholders' meetings	599	1,460
Special events	725	24,290
Tennis camps	49	29,518
Telecommunications	2,252	2,326
Utilities	18,002	30,077
	<u>719,523</u>	<u>838,877</u>
Excess of revenue over expense for the year	8,118	150,391
Net assets, beginning of year	1,134,118	971,547
Contribution from share issue	0	180
Contribution from cancellation of shares (note 7)	0	12,000
Net assets, end of year	\$ 1,142,236	\$ 1,134,118

See accompanying notes to the financial statements

Ottawa Tennis and Lawn Bowling Club
Statement of Changes in Cash Flows
For the year ended November 30, 2020

	2020	2019
Operating activities		
Excess of revenue over expense for the year	\$ 8,118	\$ 150,391
Item not involving an outlay of cash		
Amortization	56,177	49,391
	<u>64,295</u>	<u>199,782</u>
Change in non-cash working capital		
Accounts receivable	(13,715)	11,651
Inventory	1,749	27
Prepaid expenses	(15,094)	1,121
Accounts payable and accrued liabilities	(66,829)	46,914
Government remittances payable	20,149	(3,688)
Deferred revenue	117,341	(36,741)
	<u>107,896</u>	<u>219,066</u>
Financing activities		
Repayment of share capital (net)	0	(1,100)
Contribution from share issue (net)	0	180
Loan proceeds (net of repayments)	32,890	261,572
	<u>32,890</u>	<u>260,652</u>
Investing activities		
Capital asset purchases (net)	(23,554)	(334,080)
Increase in cash during the year	117,232	145,638
Cash, beginning of year	<u>440,736</u>	<u>295,098</u>
Cash, end of year	\$ 557,968	\$ 440,736

See accompanying notes to the financial statements

Ottawa Tennis and Lawn Bowling Club
Notes to the Financial Statements
November 30, 2020

1. Purpose of the Organization

Ottawa Tennis and Lawn Bowling Club Limited was incorporated on March 14, 1939 under Letters Patent of the Ontario Corporations Act. The Club was continued under the Canada Not-for-profit Corporations Act on April 16, 2019 as Ottawa Tennis and Lawn Bowling Club. The Club operates as a not-for-profit organization and as such is exempt from income tax.

The purpose of the organization is to:

- establish, maintain and conduct a club for the accommodation of the members thereof and others and generally to provide for the members and others the usual privileges advantages, conveniences and accommodation of a club;
- provide a club house and other conveniences for the purposes of the members and others;
- promote tennis, lawn bowling and other games or sports and to arrange matches and competitions of every nature and to offer or grant and contribute prizes, awards and distinctions; and
- acquire by purchase or otherwise the lands, premises, goods chattels and assets for the purposes aforesaid.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

Inventory

Inventory is valued at the lower of cost and net realizable value, on a first-in, first-out basis.

Revenue Recognition

Membership contributions are recorded as revenue when received based on the membership year. Camp and lesson fees are recorded as revenue based on the camp or lesson delivery when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Ottawa Tennis and Lawn Bowling Club
Notes to the Financial Statements
November 30, 2020

2. Significant Accounting Policies (con't)

Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives using the declining balance method as follows:

Club house and improvements	5%
Fencing and lighting	5%
Tennis courts	5%
POS system	55%
Computer	55%
Telephone system	20%
Pool	5%
Equipment, furniture and tools	20%

In the year of acquisition, only one-half the annual amortization is taken.

Use of Estimates

In preparing the organization's financial statements in conformity with Canadian accounting standards for not-for-profit organizations, management is required 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 reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

Financial Instrument Measurement

The organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities subsequently measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

Ottawa Tennis and Lawn Bowling Club
Notes to the Financial Statements
November 30, 2020

2. Significant Accounting Policies (con't)

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized as an expense when the capital asset no longer has any long-term service potential to the organization. The amount of the impairment loss is determined as the excess of the carrying value of the asset over any residual value.

3. Financial Instruments

Ottawa Tennis and Lawn Bowling Club is exposed to various risks through its financial instruments. The following analysis presents the organization's exposures to significant risk at November 30, 2020.

Credit risk

The organization is exposed to credit risk with respect to its accounts receivable. Management regularly reviews its accounts receivable to ensure collectibility.

Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization manages this risk by constantly monitoring its cash flows and financial liability maturities.

Interest rate risk

The organization is exposed to interest rate risk on its floating interest rate financial instruments. Floating rate instruments subject the organization to a cash flow risk. The organization is exposed to this type of risk as a result of its loan payable.

Ottawa Tennis and Lawn Bowling Club
Notes to the Financial Statements
November 30, 2020

4. Capital Assets

	Cost		Accumulated Amortization		Net Carrying Amount	
	2020	2019	2020	2019	2020	2019
Land	\$ 5,000	\$ 5,000	\$ 0	\$ 0	\$ 5,000	\$ 5,000
Grounds improvement	243,308	243,308	0	0	243,308	243,308
Club house	614,412	599,578	288,124	271,342	326,288	328,236
Fencing and sport lighting	251,265	257,548	104,150	96,531	147,115	161,017
Tennis courts	348,503	348,503	101,243	88,229	247,260	260,274
POS system	10,307	10,307	10,302	10,296	5	11
Computer	9,739	9,739	9,308	8,781	431	958
Telephone system	6,388	5,538	4,044	3,565	2,344	1,973
Pool and pool shed	212,099	212,099	81,438	74,561	130,661	137,538
Equipment, furniture and tools	279,229	265,076	228,664	217,791	50,565	47,285
	\$ 1,980,250	\$ 1,956,696	\$ 827,273	\$ 771,096	\$ 1,152,977	\$ 1,185,600

5. Deferred Revenue

Deferred revenue is comprised of member Covid-19 credits, "early-bird" membership fees and prepaid sponsorship fees received for the following operating season.

6. Long-term Debt

	2020	2019
Loan payable, bearing interest at prime plus 1.45%, due April 2034, repayable in blended monthly instalments of \$2,269 principal and interest, secured by a general security agreement as well as a charge on the land and building with a net carrying value of \$574,596.	\$ 285,704	\$ 292,814
CEBA term loan, bearing interest at 0% until December 31, 2022. If the loan is paid back by December 31, 202, \$10,000 of the loan will be forgiven. If the loan is not paid back by December 31, 2022, the loan will bear interest at 5%, be due December 31, 2025, and be repayable in monthly instalments of interest only.	40,000	0
	325,704	292,814
Less current portion	16,377	13,901
	\$ 309,327	\$ 278,913

Ottawa Tennis and Lawn Bowling Club
Notes to the Financial Statements
November 30, 2020

6. Long-term Debt (con't)

Principal repayments required in the next five years are as follows:

2021	-	\$16,377
2022	-	\$17,028
2023	-	\$17,704
2024	-	\$18,407
2025	-	\$19,137

7. Share Capital

Issued -

	2020		2019	
	#	\$	#	\$
Outstanding, beginning of year	0	\$ 0	1,310	\$ 13,100
Issued during year	0	0	2	20
Cancelled during year - returned to shareholders	0	0	(112)	(1,120)
Cancelled during year - donated to the Club	0	0	(1,200)	(12,000)
Outstanding, end of year	0	\$ 0	0	\$ 0

As a result of the Club's continuance under the Canada Not-for-profit Corporations Act on April 16, 2019, the share capital of the corporation was cancelled. In December 2019 each shareholder was given the option of either receiving cash or donating the \$10 paid up capital attributable to each share.

Ottawa Tennis and Lawn Bowling Club
Notes to the Financial Statements
November 30, 2020

8. Trust Funds

In 2019 the organization successfully submitted an application to the National Sport Trust Fund (NSTF) to raise funds to be used for the Clubhouse Restoration Project to assist the organization in promoting amateur athletics in Canada. At November 30, 2020, the NSTF had received donations totalling \$345,901 specifically earmarked for the organization and the Clubhouse Restoration Project. As these funds are held in trust by the NSTF and the Clubhouse Restoration Project has not yet commenced, no amounts have been recorded in these financial statements in respect of these funds. The amounts will be recorded in the financial statements in the year that the funds are transferred from the NSTF to the organization and the Clubhouse Restoration Project commences.

9. Implications of Covid-19

During the year, an outbreak of a new strain of coronavirus (Covid-19) resulted in a major global health crisis which, at the date of the completion of the financial statements, continues to have impacts on the health, safety and economy worldwide. Measures taken by various governments to contain the virus affected the club's economic activity by delaying the opening of the club and reducing the volume and types of activities permitted on the premises. As a result of these effects, the cumulative revenue from club activities was approximately 40% lower than the 2019 revenues.

In response to these matters, management has taken advantage of all government initiatives available to them including wage subsidies, rent subsidies, loan payment deferrals and interest free loans, and adjusted spending. Management has determined that the actions that it has taken are sufficient to mitigate the uncertainty and has therefore prepared the financial statements on a going concern basis.