

**FINANCIAL STATEMENTS**

**TENNIS BC**

**March 31, 2018**



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## INDEPENDENT AUDITOR'S REPORT

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To the Members of  
**Tennis BC**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Tennis BC which comprise the statement of financial position as at March 31, 2018 and the statements of changes in net assets, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements 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 Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our unqualified audit opinion.

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tennis BC as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Report on Other Legal and Regulatory Requirements**

As required by the British Columbia Societies Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

*Tompkins Wozny LLP*

Vancouver, Canada  
July 18, 2018

Chartered Professional Accountants

## STATEMENT OF FINANCIAL POSITION

As at March 31

	2018	2017
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	196,247	297,978
Term deposits <i>[notes 3 and 7]</i>	514,038	410,004
Accounts receivable <i>[note 4]</i>	35,563	20,208
Inventory	1,188	1,105
Prepaid expenses and deposits	24,342	30,718
<b>Total current assets</b>	<b>771,378</b>	<b>760,013</b>
Capital assets <i>[note 5]</i>	26,707	17,641
	<b>798,085</b>	<b>777,654</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accruals <i>[note 6]</i>	69,610	84,751
Deferred revenue <i>[note 7]</i>	356,329	393,391
<b>Total liabilities</b>	<b>425,939</b>	<b>478,142</b>
<b>Net assets</b>		
Invested in capital assets	26,707	17,641
Unrestricted	345,439	281,871
<b>Total net assets</b>	<b>372,146</b>	<b>299,512</b>
	<b>798,085</b>	<b>777,654</b>

Commitments *[note 11]**See accompanying notes to the financial statements*

On behalf of the Board:

\_\_\_\_\_  
Director\_\_\_\_\_  
Director

## STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	Invested in Capital Assets \$	Unrestricted \$	Total \$
<b>2018</b>			
<b>Balance, beginning of year</b>	17,641	281,871	299,512
Excess of revenues over (under) expenses	(7,580)	80,214	72,634
Investment in capital assets	16,646	(16,646)	—
<b>Balance, end of year</b>	<b>26,707</b>	<b>345,439</b>	<b>372,146</b>
<b>2017</b>			
<b>Balance, beginning of year</b>	17,306	241,378	258,684
Excess of revenues over (under) expenses	(4,914)	45,742	40,828
Investment in capital assets	5,249	(5,249)	—
<b>Balance, end of year</b>	<b>17,641</b>	<b>281,871</b>	<b>299,512</b>

*See accompanying notes to the financial statements*

## STATEMENT OF OPERATIONS

Year ended March 31

	2018	2017
	\$	\$
<b>REVENUE</b>		
Program and support fees	440,841	453,355
Tennis Canada grants	273,782	161,448
Membership fees	208,337	203,972
Government grants	204,445	222,928
Sponsorship <i>[note 8]</i>	153,231	127,796
Gaming grant	142,625	139,000
Merchandise	7,139	6,232
Interest and other	3,721	1,682
	<b>1,434,121</b>	<b>1,316,413</b>
<b>EXPENSES</b>		
Salaries, contracts and benefits <i>[note 13]</i>	563,144	545,138
Program specific costs <i>[note 8 and 12]</i>	477,012	424,062
Office	125,213	106,345
Coaching	87,572	98,604
Rent	77,205	74,244
Professional fees <i>[note 9]</i>	16,942	14,743
Amortization of capital assets	7,580	4,914
Dues and memberships	4,100	4,100
Merchandise	2,719	3,435
	<b>1,361,487</b>	<b>1,275,585</b>
<b>Excess of revenue over expenses for the year</b>	<b>72,634</b>	<b>40,828</b>

*See accompanying notes to the financial statements*

## STATEMENT OF CASH FLOWS

Year ended March 31

	2018	2017
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	72,634	40,828
Amortization of capital assets	7,580	4,914
Changes in other non-cash working capital items		
Accounts receivable	(15,355)	1,669
Inventory	(83)	634
Prepaid expenses and deposits	6,376	9,373
Accounts payable and accruals	(15,141)	3,373
Deferred revenue	(37,062)	42,795
<b>Cash provided by operating activities</b>	<b>18,949</b>	<b>103,586</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(16,646)	(5,249)
Purchase of term deposits (net)	(104,034)	(2,084)
<b>Cash used in investing activities</b>	<b>(120,680)</b>	<b>(7,333)</b>
<b>Increase (decrease) in cash for the year</b>	<b>(101,731)</b>	<b>96,253</b>
Cash, beginning of year	297,978	201,725
<b>Cash, end of year</b>	<b>196,247</b>	<b>297,978</b>

*See accompanying notes to the financial statements*

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

### 1. NATURE OF THE ORGANIZATION

Tennis BC (the "Society") is a non-profit organization incorporated pursuant to the Societies Act of British Columbia on September 2, 1980.

The Society is the Provincial Sport Organization (PSO) for Tennis in the province of British Columbia.

The purpose of the Society is to promote and foster the game of tennis; to adopt, uphold and enforce the rules of the game of tennis and the regulations for the management of tennis competitions as established from time to time by Tennis Canada; to promote, sanction and supervise the holding of tennis competitions in British Columbia; and to select players for and assist players in tennis competitions.

The Society is exempt from income taxes, as long as certain criteria continue to be met. The Society appears to continue to meet those criteria.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

#### Use of Estimates

The preparation of financial statements in conformity with Canadian ASNPO 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 amounts of revenues and expenses reported during the year. Significant areas requiring the use of management estimates relate to the determination of net recoverable value of assets, in particular as it relates to useful lives of capital assets and deferred revenue. Actual results could differ from these estimates.

#### Revenue Recognition

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures 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.

Revenues received during the year which relate to programs or events that take place subsequent to the year end are recorded as deferred revenue.

Program and support fees revenue is recognized when the respective program or service is provided.

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Revenue Recognition (cont'd)

Membership fees and sponsorship revenue are recognized as revenue in the period in which they are earned.

Sponsorship in kind is recorded as revenue recorded at fair value, if independent evidence is available to support the fair value.

Merchandise revenue is recognized when goods are received by the purchaser and collection of the sales amount is reasonably assured.

Interest income is recognized in accordance with the terms of the underlying investment which is generally with the passage of time.

#### Measurement of Financial Instruments

The Society initially measures its financial assets and financial liabilities at fair value. The Society subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, term deposits and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accruals.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

#### Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the year-end.

#### Statement of Cash Flows

The statement of cash flows is prepared on a net cash basis and cash flows from operating activities are reported using the indirect method.



## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Inventory

Inventory, consisting entirely of tennis balls is stated at the lower of cost (average cost) and net realizable value. Cost is defined as purchase price plus freight in. The net realizable value is the estimated selling price in the ordinary course of business.

#### Capital Assets

Capital assets are recorded at cost, less accumulated amortization.

Amortization of capital assets is recorded at the following rates:

- Computer hardware and software            30% declining balance
- Furniture and equipment                    20% declining balance
- Leasehold improvements                    7 years straight-line

One-half of the normal rate is applied in the year assets are acquired.

#### Deferred Revenue

Program and fees collected but not yet earned are recorded as unearned revenue. Revenues received from pre-registration for events occurring subsequent to the year end are also recorded as unearned revenue.

#### Contributed Services

Volunteers contribute their time to assist the Society in carrying out its activities. Due to the difficulty in determining the fair value of such services, the value of the contributed services is not recognized in these financial statements.

The Society's volunteer hours in 2018 totaled 610 hours and at a deemed rate of \$20 per hour would total \$12,200.

### 3. TERM DEPOSITS

Term deposits have interest rates varying from 0.8% to 1.32% and maturity dates ranging from April 2018 to June 2018 [note 7].

## NOTES TO FINANCIAL STATEMENTS

March 31, 2018

### 4. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Operations	36,562	20,782
Government receivable - GST	—	425
	36,562	21,207
Allowance for doubtful accounts	(999)	(999)
	35,563	20,208

### 5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
<b>2018</b>			
Computer hardware and software	62,086	42,733	19,353
Furniture and equipment	41,500	35,730	5,770
Furniture and equipment under capital lease	8,057	6,473	1,584
Leasehold improvements	41,877	41,877	—
<b>Totals</b>	153,520	126,813	26,707
<b>2017</b>			
Computer hardware and software	50,410	41,961	8,449
Furniture and equipment	41,500	34,288	7,212
Furniture and equipment under capital lease	8,057	6,077	1,980
Leasehold improvements	41,877	41,877	—
<b>Totals</b>	141,844	124,203	17,641

### 6. ACCOUNTS PAYABLE AND ACCRUALS

	2018	2017
	\$	\$
Operations	67,554	83,508
Government remittances - GST	995	—
- PST	172	154
- WorkSafeBC	889	1,089
	69,610	84,751

## NOTES TO FINANCIAL STATEMENTS

March 31, 2018

### 7. DEFERRED REVENUE

Deferred revenue includes \$250,000 of funds received during the 2014 fiscal year from the Province of British Columbia ("the Province"). The funding was received for the general purpose of supporting Tennis BC and Tennis Canada in their efforts to obtain an Association of Tennis Professionals ("ATP") event to be hosted in Vancouver on an annual basis or to be used towards the construction of a Western Canadian Tennis Centre.

The \$250,000 has been invested in a term deposit and including accrued interest, totals \$259,735 [2017 - \$257,226] at March 31, 2018 [note 3].

### 8. IN-KIND SPONSORSHIP REVENUE

Included in sponsorship revenue are in-kind sponsorships with a value of \$20,540 [2017 - \$11,510]. An offsetting amount has been recorded in program specific costs.

### 9. PROFESSIONAL FEES

2018 professional fees includes an additional \$6,500 accrual to expense and accounts payable to increase the annual audit accrual from \$3,500 to \$10,000. As a result, professional fees is comprised of:

	2018	2017
	\$	\$
Professional fees (actual)	10,442	14,743
Additional accrual	6,500	—
	<b>16,942</b>	14,743

### 10. FINANCIAL INSTRUMENTS

The Society is exposed to various risks through its financial instruments. The following analysis presents the Society's exposures to significant risk as at March 31, 2018.

#### 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 Society is exposed to credit risk with respect to its cash, term deposits and accounts receivable. The Society assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive. The Society's cash and term deposits are invested with a large financial institution.

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

### 10. FINANCIAL INSTRUMENTS (CONT'D)

#### Liquidity Risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Society manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

#### 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 Society is exposed to interest rate risk on its term deposits in so far that the initial rate may be higher than the current interest rate obtained on maturity and renewal.

### 11. COMMITMENTS

i) The Society leases office space under an operating lease expiring on September 30, 2019. The Society is jointly and severally liable with two co-tenants to make minimum annual base rent lease payments of \$116,175 for the 2019 fiscal year and \$58,088 for the 2020 fiscal year.

In addition, the co-tenants are obligated to pay for operating expenses and property taxes under the operating lease.

Under an arrangement with the co-tenants, the Society is obligated to pay only a portion of the above minimum base rent lease payments and operating expenses and property taxes under the above operating lease equal to the square footage occupied by the Society relative to the total square footage leased. Under this arrangement the Society estimates that it is obligated to make the minimum annual base rent lease payments of approximately \$48,794 for the 2019 fiscal year and \$24,397 for the 2020 fiscal year.

ii) The Society is also committed under a partnership agreement to use a specific brand of tennis balls exclusively at all Tennis BC provincial events.

## NOTES TO FINANCIAL STATEMENTS

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March 31, 2018

### 12. RELATED PARTY TRANSACTIONS

- a] As at March 31, 2018, accounts payable and accruals includes \$273 [2017 - \$893] which is due to a company owned by a director of the Society.
- b] For the year ending March 31, 2018, program specific costs includes \$8,620 [2017 - \$38,629] of expenses for t-shirts paid to a company owned by a director of the Society.
- c] For the year ending March 31, 2018, program specific costs includes \$Nil [2017 - \$5,623] of expenses for food supplies for the Stanley Park Open paid to a company owned by the Chief Executive Officer of the Society.

The above amounts are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

### 13. SALARIES, CONTRACTS AND BENEFITS

Pursuant to the British Columbia Societies Act, the Society is required to disclose employees and contractors who are paid \$75,000 or more during the fiscal year. 2018 salaries, contracts and benefits expense includes \$143,029 [2017 - \$132,908] paid to one contractor.

### 14. BRITISH COLUMBIA YOUTH TENNIS FOUNDATION ENDOWMENT FUND - VANCOUVER FOUNDATION

In 2017, the Society agreed to become the Fund Advisor for the Community Youth Tennis Fund administered by the Vancouver Foundation.

The capital in the Fund as at March 31, 2018 totaled \$42,180 [2017 - \$37,416].

During the year, the Society agreed to become the Fund Advisor for the Edward Siemens Memorial Tennis Fund administered by the Vancouver Foundation.

The capital in the Fund as at March 31, 2018 totaled \$57,868.