

Section 6
Audited Financial
Statements





Financial Statements

Greater Toronto Hockey League

April 30, 2021

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Independent Auditor's Report

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To the Board of Directors of
Greater Toronto Hockey League

Opinion

We have audited the financial statements of Greater Toronto Hockey League (the "Organization") which comprise the statement of financial position as at April 30, 2021, and the statements of revenue and expenditures, changes in fund balances, 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 Organization as at April 30, 2021, 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 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 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 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.

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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Markham, Canada
June 24, 2021

Chartered Professional Accountants
Licensed Public Accountants

Greater Toronto Hockey League Statement of Financial Position

April 30

2021

2020

Assets			
Current			
Cash			
		\$ 2,986,074	\$ 3,777,062
Accounts receivable		222,479	368,536
Prepaid expenses		38,707	325,620
		3,247,260	4,471,218
Equipment and leasehold improvements (Note 3)		32,386	53,867
		\$ 3,279,646	\$ 4,525,085
<hr/>			
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 4)		\$ 86,776	\$ 298,781
Deferred revenue (Note 5)		259,592	437,385
		346,368	736,166
Loan payable - CEBA (Note 6)		40,000	-
		386,368	736,166
Fund balances			
Contingency reserve		2,208,080	3,003,871
Legacy fund		641,706	641,556
Special purpose fund		43,492	143,492
		2,893,278	3,788,919
		\$ 3,279,646	\$ 4,525,085

Lease commitments (Note 7)

On behalf of the Board of Directors



Director



Director

See accompanying notes to the financial statements.

Greater Toronto Hockey League Statement of Revenue and Expenditures

Year ended April 30

	2021	2020
Revenue		
Government assistance (Note 10)	\$ 621,444	\$ 76,450
Insurance	283,196	1,518,047
Sponsorship and marketing	171,415	220,921
Miscellaneous	139,030	84,403
Special purpose fund - OTF grant (Note 5)	19,024	32,452
Tournaments	15,950	434,311
Clinics	14,995	419,079
Arena	10,111	6,159,401
Investment income	2,219	99,952
Legacy fund	150	203,430
Direct team entry	-	1,065,727
Special purpose fund - GTHL summit sponsorship	-	102,650
	<u>1,277,534</u>	<u>10,416,823</u>
Expenditures		
Salaries, wages, benefits and honoraria	1,106,735	1,090,508
General and administration	610,743	820,394
Insurance	283,196	1,228,192
Marketing	35,654	131,651
Special purpose fund - OTF grant (Note 5)	19,024	32,452
Tournaments	11,124	336,710
Clinics	5,396	295,134
Branch member service costs	1,303	60,108
Special purpose fund - GTHL summit expenses	-	93,356
Legacy fund - Other	-	71,315
Arena	-	5,593,454
	<u>2,073,175</u>	<u>9,753,274</u>
(Deficiency) excess of revenue over expenditures before other item	<u>(795,641)</u>	<u>663,549</u>
Special purpose fund - Strategic consulting fees	(100,000)	-
Legacy fund - Jumpstart program contributions	-	(625,000)
	<u>(100,000)</u>	<u>(625,000)</u>
(Deficiency) excess of revenue over expenditures	<u>\$ (895,641)</u>	<u>\$ 38,549</u>

See accompanying notes to the financial statements.

Greater Toronto Hockey League

Statement of Changes in Fund Balances

Year ended April 30

	Contingency reserve	Legacy fund	Special purpose fund	Total 2021	Total 2020
Balance, beginning of year	\$ 3,003,871	\$ 641,556	\$ 143,492	\$ 3,788,919	\$ 3,750,370
(Deficiency) excess of revenue over expenditures	<u>(795,791)</u>	<u>150</u>	<u>(100,000)</u>	<u>(895,641)</u>	<u>38,549</u>
Balance, end of year	<u>\$ 2,208,080</u>	<u>\$ 641,706</u>	<u>\$ 43,492</u>	<u>\$ 2,893,278</u>	<u>\$ 3,788,919</u>

See accompanying notes to the financial statements.

Greater Toronto Hockey League

Statement of Cash Flows

Year ended April 30	2021	2020
Increase (decrease) in cash		
Operating		
(Deficiency) excess of revenue over expenditures	\$ (895,641)	\$ 38,549
Items not affecting cash		
Amortization, included in general and administration	23,861	31,197
Government assistance relating to loan forgiveness	<u>(20,000)</u>	<u>-</u>
	(891,780)	69,746
Change in non-cash working capital items		
Accounts receivable	146,057	(134,973)
Prepaid expenses	286,913	9,018
Accounts payable and accrued liabilities	(212,005)	53,795
Deferred revenue	<u>(177,793)</u>	<u>(483,097)</u>
	<u>(848,608)</u>	<u>(485,511)</u>
Financing		
Proceeds from loan payable - CEBA	<u>60,000</u>	<u>-</u>
Investing		
Purchase of marketable securities - net	-	3,149,129
Purchase of equipment and leasehold improvements	<u>(2,380)</u>	<u>(34,586)</u>
	<u>(2,380)</u>	<u>3,114,543</u>
(Decrease) increase in cash	(790,988)	2,629,032
Cash		
Beginning of year	<u>3,777,062</u>	<u>1,148,030</u>
End of year	\$ <u>2,986,074</u>	\$ <u>3,777,062</u>

See accompanying notes to the financial statements.

Greater Toronto Hockey League

Notes to the Financial Statements

April 30, 2021

1. Purpose of the organization

Greater Toronto Hockey League ("GTHL") was incorporated in March 1973 in Ontario with Letters Patent as a not-for-profit corporation. GTHL is exempt from income tax under Section 149(1) of the Canadian Income Tax Act. The GTHL's mandate is to promote and govern organized minor hockey in the Greater Toronto Area. In addition, the GTHL fosters the development of hockey skills and knowledge of those players, coaches, managers and officials who participate in the GTHL.

2. Summary of 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 where alternatives are available:

Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for not-for-profit organizations ("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 expenditures during the period. The GTHL makes estimates for the allowance for doubtful accounts and the useful life of equipment and leasehold improvements. Actual results may differ from such estimates.

Financial instruments

The GTHL considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The GTHL accounts for the following as financial instruments:

- cash
- accounts receivable
- accounts payable
- loan payable - CEBA

The financial assets or liabilities are initially measured at their fair value. The GTHL subsequently measures all of its financial assets and financial liabilities at amortized cost.

Equipment and leasehold improvements

Purchased property and equipment are recorded at cost less accumulated amortization. The Organization amortizes the cost of property and equipment on a straight-line basis over their estimated useful lives as follows:

Purchased equipment	5	years	Straight-line
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Leasehold improvements are recorded over the lesser of 5 years or the term of the lease.

Equipment and leasehold improvements 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 their 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 revenue and expenses. Any impairment recognized is not reversed.

Greater Toronto Hockey League

Notes to the Financial Statements

April 30, 2021

2. Summary of significant accounting policies (continued)

Fund accounting

For financial reporting purposes, the accounts have been classified into the following funds:

Contingency reserve

The objective of the contingency reserve is to maintain funds sufficient to meet both the annual working capital requirements and to ensure that it will be able to continue to operate as a going concern.

Legacy fund

The Legacy fund was established during 2012 as an internally restricted fund with the objective of promotion and development of hockey at a grassroots level.

Special Purpose Fund

The special purpose fund has been established as an internally restricted fund with the objective to fund special projects outside of the normal operations of the GTHL that promote organized minor hockey in Ontario and Canada and fosters further development of those who participate in the GTHL.

Revenue recognition

The GTHL follows the deferral method of accounting for receipts of revenue and contributions in the fiscal year if received, or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Arena revenue are received as a component of player registrations recognized evenly over the season to which they apply. Direct team entry revenue are recognized evenly over the fiscal year. Insurance revenue is recognized over the term of the underlying insurance policy. Tournament and clinic revenue are recognized when the related event is held. Sponsorship and marketing revenue is recognized evenly over the term of the sponsorship agreement. Deferred revenue relates to revenue received prior to service being performed or the corresponding term of the agreement.

Legacy fund and special purpose fund revenue is recognized when received or receivable and the amount can be reasonably estimated and collection reasonably assured.

Investment and miscellaneous income are recognized as earned.

Where there are contributions of materials and services which would otherwise have been purchased, these are recognized as revenue at fair value at the date of contribution if fair value can be reasonably estimated and when the materials and services are used in the normal course of operations.

Government assistance consists of the Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS) and the forgiveness of the loan payable – CEBA and is recognized in the statement of revenue and expenditures when received or receivable in the period to which it relates.

Greater Toronto Hockey League Notes to the Financial Statements

April 30, 2021

2. Summary of significant accounting policies (continued)

COVID-19 related lease concessions

In November 2020, the Accounting Standards Board amended Section 3065 Leases to provide relief for both lessees and lessors on accounting for rent concessions as a result of the COVID-19 pandemic. Lessees and lessors that meet certain qualifying criteria will be able to elect, on a lease-by-lease basis, to apply a practical expedient to account for waivers and deferrals. The amendments apply to annual financial statements relating to fiscal years ending on or after December 31, 2020. However, earlier application is permitted, including in financial statements not yet authorized for issue.

GTHL has adopted these amendments for any qualifying lease arrangements that have been modified to provide waivers of rental payment due to the COVID-19 pandemic.

3. Equipment and leasehold improvements

The GTHL has invested in the following assets in its operations of its business:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2021 Net Book Value</u>	<u>2020 Net Book Value</u>
Equipment	\$ 233,738	\$ 201,352	\$ 32,386	\$ 53,867
Leasehold improvements	<u>129,175</u>	<u>129,175</u>	<u>-</u>	<u>-</u>
	<u>\$ 362,913</u>	<u>\$ 330,527</u>	<u>\$ 32,386</u>	<u>\$ 53,867</u>

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances owing of \$8,633 (2020 - \$63,359).

5. Deferred revenue

Deferred revenue primarily comprises amounts billed to both member teams and organizations as registration fees for league play programs, member insurance assessments, sponsorships and other assessments and received for the upcoming season, for which activities and coverage commence in the next season of play following the fiscal year.

Included in deferred revenue is \$83,524 (2020 - \$102,548) relating to funding received from the Ontario Trillium Foundation to support minor hockey associations with costs to purchase equipment for initiation program cross-ice play. The total funding provided in fiscal 2020 was \$135,000, of which \$19,024 (2020 - \$32,452) was recognized in accordance with the related expenses incurred. No additional funding amounts were received in fiscal 2021.

Greater Toronto Hockey League

Notes to the Financial Statements

April 30, 2021

6. Loan payable - CEBA

The Canada Emergency Business Account (CEBA) was created by the federal government to provide interest-free loans of up to \$60,000 for small business and not-for-profit organizations with their operating costs during a period when revenue have temporarily decreased.

The loan is interest-free and 25% of the loan is forgivable, up to \$20,000, if GTHL repays the loan on or before December 31, 2022. If the loan is not repaid by that date, the loan can be converted to a three-year term loan at an interest rate of 5%. Since the loan is not repayable until 2022, it has been classified as long-term on the statement of financial position.

GTHL has determined it will likely meet the conditions required to achieve forgiveness of the loan and accordingly, the forgivable amount has been recorded as government assistance in the statement of revenue and expenditures.

7. Lease commitments

The GTHL leases its office facility and office equipment with lease expiration dates of May 31, 2024 and May 31, 2023, respectively.

The minimum commitment over the next three fiscal years is as follows:

2022	\$	131,928
2023		120,719
2024		9,975

8. Financial instruments

The GTHL has a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments.

Interest rate risk

The GTHL's financial instruments expose it to interest rate risk due to its investments and debt with fixed interest rates. The GTHL is not exposed to interest rate cash flow risk as it has no financial assets and liabilities with floating interest rates. It is management's opinion that the GTHL is not exposed to significant interest rate risk arising from its financial instruments.

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 meet its funding obligation. This risk is mitigated by the GTHL ensuring revenue is derived from qualified sources. Allowance for doubtful accounts as at April 30, 2021 is \$Nil (2020 - \$Nil).

Liquidity risk

Liquidity risk is the risk that the GTHL may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. It is management's opinion that the GTHL is not exposed to significant liquidity risks arising from its financial instruments.

Greater Toronto Hockey League

Notes to the Financial Statements

April 30, 2021

9. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.

10. COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses have been forced to cease or limit operations for long or indefinite 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. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. Due to the ongoing limitations imposed by provincial and federal regulatory bodies there was no hockey season held in the fiscal year. As a result of this and the related decline in revenue, the GTHL was eligible for government incentives available to assist with the financial impact of the pandemic. GTHL received CEWS of \$557,358 and CERS of \$44,086 and was eligible for the CEBA loan of \$60,000, of which \$20,000 was forgiven during the year. These amounts are recorded as government assistance in the statement of revenue and expenditures.

The duration and impact of the pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the GTHL for future periods. At the audit report date, it is unclear whether government restrictions will allow for a fiscal 2022 hockey season. Regardless, the GTHL is committed to adjusting its expenditures to ensure the sustainability of the GTHL for the future.