

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Financial Statements

October 31, 2020

Draft for discussion purposes only

INDEPENDENT AUDITOR'S REPORT

To the Directors of Toronto Police Amateur Athletic Association

Qualified Opinion

We have audited the financial statements of Toronto Police Amateur Athletic Association, which comprise the statement of financial position as at October 31, 2020, and the statements of revenues and expenses, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at October 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Association may derive revenue from contributions or fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these sources of revenue was limited to the amounts recorded in the records of the Association. We were unable to obtain sufficient appropriate audit evidence over and were consequently unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, current assets and net assets.

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 Association in accordance with 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 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.

In preparing the 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 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.

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Independent Auditor's Report to the Directors of Toronto Police Amateur Athletic Association *(continued)*

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 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 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 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 LLP
Licensed Public Accountants

Markham, Ontario
December 2, 2020

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION**Statement of Financial Position****October 31, 2020**

	2020	2019
	\$	\$
Assets		
Current		
Cash	150,884	89,313
Accounts receivable and other	86,661	30,509
Government remittances recoverable	-	10,947
Prepaid expenses	5,726	51,882
Current portion of investments (note 4)	50,000	317,033
	293,271	499,684
Investments (note 4)	526,241	162,889
Capital assets (note 5)	8,343	13,571
	827,855	676,144
Liabilities		
Current		
Accounts payable and accrued liabilities	55,415	94,416
Government remittances payable	8,468	-
	63,883	94,416
Fund Balances		
Invested in capital assets	8,343	13,571
Unrestricted	755,629	568,157
	763,972	581,728
	827,855	676,144

ON BEHALF OF THE BOARD_____
*Director*_____
Director

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Statement of Revenues and Expenses

Year Ended October 31, 2020

	Capital Fund 2020 \$	Operating Fund 2020 \$	Total 2020 \$	Total 2019 \$
Revenues				
Interest	-	7,991	7,991	9,906
Membership dues	-	722,656	722,656	685,732
Police games	-	-	-	1,834
Police Services Board contribution	-	8,600	8,600	13,000
Toronto Police Widows and Orphans Fund contribution	-	60,000	60,000	-
	-	799,247	799,247	710,472
Expenses				
Amortization	2,638	-	2,638	3,972
Athletic expenses - Schedule	-	268,417	268,417	339,236
Audit and legal fees	-	35,760	35,760	21,858
Awards	-	48,151	48,151	5,232
Executive reimbursement	-	19,933	19,933	25,447
General - Schedule	-	174,718	174,718	164,975
International sports events	-	9,000	9,000	13,900
Meetings	-	2,637	2,637	2,814
Police games	-	2,699	2,699	14,901
Site grants	-	44,757	44,757	50,969
Loss on disposal of capital assets	8,293	-	8,293	-
	10,931	606,072	617,003	643,304
Excess (deficiency) of revenues over expenses	(10,931)	193,175	182,244	67,168

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION**Statement of Changes in Fund Balances****Year Ended October 31, 2020**

	Capital Fund 2020 \$	Operating Fund 2020 \$	Total 2020 \$	Total 2019 \$
Fund balances, beginning of year	13,571	568,157	581,728	514,560
Excess (deficiency) of revenues over expenses	(10,931)	193,175	182,244	67,168
Net investment in capital assets	5,703	(5,703)	-	-
Fund balances, end of year	8,343	755,629	763,972	581,728

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TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Statement of Cash Flows

Year Ended October 31, 2020

	2020 \$	2019 \$
Cash flows from operating activities		
Excess of revenues over expenses	182,244	67,168
Items not affecting cash:		
Amortization	2,638	3,972
Loss on disposal of capital assets	8,940	-
	<u>193,822</u>	<u>71,140</u>
Changes in non-cash working capital:		
Accounts receivable and other	(56,152)	(12,459)
Government remittances receivable	19,415	8,431
Prepaid expenses	46,156	(47,046)
Accounts payable	(38,998)	22,811
	<u>(29,579)</u>	<u>(28,263)</u>
	<u>164,243</u>	<u>42,877</u>
Cash flows from investing activities		
Investments	(96,322)	(9,475)
Acquisition of capital assets	(6,350)	(11,418)
	<u>(102,672)</u>	<u>(20,893)</u>
Increase in cash	61,571	21,984
Cash, beginning	<u>89,313</u>	<u>67,329</u>
Cash, ending	<u>150,884</u>	<u>89,313</u>

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2020

1. PURPOSE OF ORGANIZATION

The Toronto Police Amateur Athletic Association ("Association") promotes the physical fitness of its members. By providing organized sport teams and gym facilities, the well being of the members is enhanced and, with that well being, comes a sense of sportsmanship and camaraderie.

The Association was incorporated without share capital as a not-for-profit organization under the laws of Ontario on July 15, 1993 and has been granted tax exempt status under the Income Tax Act.

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:

Fund accounting

The Association follows the restricted fund method of accounting for contributions.

Capital Fund

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Association's capital assets.

Operating Fund

The Operating Fund accounts for the Association's general athletic and site grant activities as well as various administrative activities. The fund reports unrestricted resources.

Revenue recognition

Interest revenue is recognized on an accrual basis.

Membership dues are recognized as revenue proportionately over the fiscal year to which they relate.

Police Services Board and Toronto Police Widows and Orphans Fund contributions are recognized when receivable and collection is reasonably assured.

Restricted contributions, for which a restricted fund has not been established, are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions, including advertising, fundraising events and ticket sales, are recognized as revenues of the appropriate restricted fund in the year in which the revenues are received.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Cash

Cash is defined as cash on hand and cash on deposit, net of cheques issued and outstanding at the reporting date.

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TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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

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

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down from impairment is recognized as a charge against excess of revenues over expenses.

Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for at the following annual rates:

Computer equipment	36 months	straight-line method
Office equipment	14%	declining balance method

Capital assets are assessed for impairment when events or changes in circumstance indicate that the Association may not be able to recover their carrying values. The Association calculates impairment by deducting the fair values, based on discounted cash flows expected from their use and disposition, from their carrying values. Any excess is a charge against excess of revenues over expenses.

Donated materials and services

The financial statements do not reflect donated materials except where the fair value can be reasonably estimated and when they are used in the course of normal operations.

The work of the Association is dependent on the voluntary service of many members. The value of donated services is not recognized in these statements.

Use of estimates

The preparation of the Association's financial statements, in accordance with Canadian accounting standards for not-for-profit organizations, requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year. Estimates are used when accounting for allowance for doubtful accounts, accruals, revenue recognition, amortization and the impact that Covid-19 has had on the Association. Due to the inherent uncertainty involved with making such estimates, actual results could differ from those reported. As adjustments become necessary, they are reported in excess of revenues over expenses in the period in which they become known.

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2020

3. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposures and concentrations at the statement of financial position date:

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.

As at October 31, 2020, the Toronto Police Widows and Orphans Fund accounts for 73% (2019 - Nil) of the accounts receivable and other balance.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet a demand for cash or fund its obligations as they come due as a result of the Association's inability to liquidate assets in a timely manner and at a reasonable price. The Association's exposure to liquidity risk is minimal as management maintains sufficient levels of liquid assets to meet its continuing obligations.

The Association manages liquidity risk by monitoring cash balances on a daily basis. The assets reflected on the balance sheet are highly liquid as they are comprised primarily of cash and investments.

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.

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 Association is not exposed to currency risk.

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 exposed to interest rate price risk on certain investments bearing interest at a fixed rate as described in note 4.

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).

The association is not exposed to other price risk.

Changes in risk

There have been no significant changes in the Association's risk exposures from the prior year other than an increase in credit risk as a result of the increase in accounts receivable and an increase in the interest rate risk as a result of the increase in interest bearing investments.

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Notes to Financial Statements

Year Ended October 31, 2020

4. INVESTMENTS

The Association's investments consist entirely of term deposits with maturity dates ranging from June 2021 to August 2025 and earn interest at fixed rates ranging from 1.10% to 1.80%.

5. CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Computer equipment	5,744	2,245	3,499	4,228
Office equipment	4,844	-	4,844	9,343
	10,588	2,245	8,343	13,571

Though the covid-19 pandemic has had an impact on the Association, the Association continues to generate positive cash flows while carrying out the objectives of the Association and as such there is no indication that the capital assets for the year ended October 31, 2020 are impaired.

6. COVID-19

COVID-19 has continued to have a significant impact on the Canadian and global economy. This is an evolving situation which has limited economic activity in certain industries. Due to uncertainty surrounding the length and extent of the COVID-19 impact on the Association, its members and suppliers, there could be a significant effect on the Association's financial position and ability to realize on its assets. The Association has experienced a drop in revenue from police games and Police Service Board contributions. However, some of the negative impacts of various revenue decreases are being offset by cost reductions to athletics, equipment, police games and international sporting events as a result of cancelling events or reduced participation.

Management has cancelled the awards banquet which was scheduled to occur shortly after year end and may continue to experience lower demand for athletics funding if other sporting events are cancelled. Management is continuing to monitor the situation, but is unable to quantify the potential impact on the Association's operations as at the date of these financial statements.

TORONTO POLICE AMATEUR ATHLETIC ASSOCIATION

Schedule of Operating Fund Expenditures

Year Ended October 31, 2020

	2020	2019
	\$	\$
Athletic expenses (recoveries)		
Angling	-	6,809
Archery	-	343
Aqua	893	1,127
Baseball/Softball	3,211	17,351
Basketball	3,895	9,268
Ball hockey	10,000	12,660
Body building	1,856	3,091
Cricket	10,913	14,421
Curling	33,630	26,427
Cycling	2,419	126
Extreme sports	(686)	4,106
Golf	48,707	31,072
Hockey	74,224	114,160
Lacrosse	2,747	6,169
Martial arts	3,609	3,636
Motorcross	1,858	4,419
Paddlers and Rowers	3,107	1,175
Power-lifting/Strongman	330	809
Rifle and Revolver	9,932	12,361
Road race	3,522	4,615
Rugby	3,750	5,807
Skiing	22,029	16,000
Soccer	27,929	27,759
Tennis	542	2,253
Triathlon	-	12,522
Volleyball	-	750
	268,417	339,236
General		
Donations	11,000	24,641
Office administration	163,718	135,282
Promotion and regalia	-	5,052
	174,718	164,975