

MANITOBA BADMINTON ASSOCIATION INC.

FINANCIAL STATEMENTS

MAY 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Manitoba Badminton Association Inc.:

Opinion

We have audited the accompanying financial statements of Manitoba Badminton Association Inc. (the Association), which comprise the statement of financial position as at May 31, 2023 and the statements of operations and changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Association as at May 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express an opinion concerning the budget.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 7 to the financial statements, which explains that certain comparative information presented for the year ended May 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

The financial statements for the year ended May 31, 2022 excluding the adjustments that were applied to restate certain comparative information were audited by another auditor who expressed an unmodified opinion on those financial statements on February 28, 2023.

As part of our audit of the financial statements for the year ended May 31, 2023, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended May 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Basis for Opinion

We conduct 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 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 private enterprises, 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 Associations' 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 Associations' 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 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.

Scarrow & Donald LLP

Chartered Professional Accountants
September 21, 2023
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

MANITOBA BADMINTON ASSOCIATION INC.

STATEMENT OF FINANCIAL POSITION

	May 31,	
	2023	2022
		(restated)
ASSETS		
Current assets:		
Cash	\$ 219,500	\$ 330,725
Accounts receivable	15,850	7,562
Prepaid expenses (as restated - Note 7)	9,700	10,740
GST recoverable	224	-
	<u>\$ 245,274</u>	<u>\$ 349,027</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,281	\$ 20,299
GST payable	-	3
Canada Emergency Business Account loan (Note 3)	-	40,000
Deferred revenue	-	10,650
	<u>25,281</u>	<u>70,952</u>
Net assets:		
Unrestricted net assets (as restated - Note 7)	<u>219,993</u>	<u>278,075</u>
	<u>\$ 245,274</u>	<u>\$ 349,027</u>

APPROVED BY THE BOARD:

_____**Director**

_____**Director**

MANITOBA BADMINTON ASSOCIATION INC.

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

	Year ended May 31,		
	2023	2023	2022
	(budget)	(Actual)	(Actual)
	(unaudited)		(restated)
Revenues:			
Athlete cost recovery	\$ 15,000	\$ 3,620	\$ 1,115
Canada summer jobs grant	9,500	6,438	8,769
Government assistance (Note 4)	-	-	29,133
Interest	550	1,251	1,018
Membership fees	14,700	8,184	9,867
Other	10,500	1,155	3,329
Other Grants	9,000	27,577	-
Province of Manitoba - Urban green team grant	9,500	9,284	8,502
Sales	2,000	-	-
Sponsorship	3,500	-	-
Sport Manitoba grants	170,300	162,850	196,200
Tournament fees & program registrations	175,000	76,041	81,633
	419,550	296,400	339,566
Expenses:			
Bad debt	-	12,049	-
Communication	8,900	8,680	5,831
COVID expenses	-	-	15,418
Facility rentals	50,000	31,638	38,257
Grants/Assistance	3,000	14,300	3,085
Other operating (as restated - Note 7)	69,600	26,009	26,009
Professional services	28,250	8,775	11,507
Salaries and benefits	178,000	171,423	160,963
Service charges	3,500	3,399	4,906
Supplies	5,350	3,289	1,148
Tournament host payout	35,000	19,264	25,026
Travel	57,000	45,258	27,731
Uniform and clothing	10,000	10,398	6,822
	448,600	354,482	326,703
Difference between revenues and expenses	(29,050)	(58,082)	12,863
Unrestricted net assets, beginning of year (as restated - Note 7)	278,075	278,075	265,212
Unrestricted net assets, end of year	\$ 249,025	\$ 219,993	\$ 278,075

MANITOBA BADMINTON ASSOCIATION INC.

STATEMENT OF CASH FLOWS

	Year ended May 31,	
	2023	2022
Cash flow from operating activities:		
Difference between revenues and expenses	\$ <u>(58,082)</u>	\$ <u>12,863</u>
Changes in working capital accounts		
Accounts receivable	(8,288)	16,204
Prepaid expenses	1,040	3,309
GST recoverable (payable)	(227)	-
Accounts payable and accrued liabilities	4,982	11,358
Deferred revenue	<u>(10,650)</u>	<u>(3,556)</u>
	(71,225)	40,178
Cash flow from financing activities:		
Repayment of Canada Emergency Business Account loan	<u>(40,000)</u>	<u>-</u>
Change in cash	(111,225)	40,178
Cash, beginning of year	<u>330,725</u>	<u>290,547</u>
Cash, end of year	<u>\$ 219,500</u>	<u>\$ 330,725</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2023

1. Purpose of the Association:

Manitoba Badminton Association Inc. (the "Association"), was incorporated under the laws of the Province of Manitoba as a not-for-profit organization. The Association is exempt from tax under Section 149(1)(l) of the Income Tax Act (Canada).

The Association's purpose is to promote and develop the sport of badminton in the Province of Manitoba.

2. Significant accounting policies:

The financial statements have been compiled in accordance with Canadian accounting standards for not-for-profit organizations. An assumption underlying the preparations of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Association will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

The financial statements include the following significant accounting policies:

a) Revenue recognition and deferred revenues-

The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses occur.

Unrestricted contributions, grants and government assistance are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Fees consist of memberships, tournament, athlete cost recovery and other and are recognized as services are performed and collection is reasonably assured.

Interest is recognized on a time proportioned basis.

b) Accounting estimates-

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and judgments that 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 during the reported period.

Accounting estimates are included in financial statements to approximate the effect of past transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future economic conditions could require changes in the recognized amounts for accounting estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they became known. Significant areas of estimation by management include the impairment of non-financial assets, the useful lives of capital assets and the fair value of financial instruments. Management bases their judgments, estimates and assumptions on factors they believe to be reasonable in the circumstances, but which may be inherently uncertain and unpredictable.

NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED MAY 31, 2023****2. Significant accounting policies (continued):****c) Financial instruments-**

Except for certain related party transactions financial instruments are measured at fair value on initial recognition adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Transactions costs related to financial instruments that will be measured subsequently at fair value are recognized in net income for the period incurred.

In subsequent periods investments in equity instruments that are quoted in an active market and certain derivative contracts are measured at fair value without any adjustment for transaction costs that may incur on sale or other disposal. The Association may elect to measure any financial instrument at fair value when the asset or liability is first recognized or for equity instruments previously measured at fair value when the equity instrument ceases to be quoted in an active market. Other investments in equity instruments are measured at cost less any reduction for impairments. All other financial instruments are measured at amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The Association measures its financial instruments at amortized cost.

The Association assesses impairment of all its financial assets, except those measured at fair value. Management considers whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Impairment is included in current earnings.

d) Contributed services

Volunteers contribute many hours per year to assist the Association in carrying out its service delivery activities. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

e) Economic dependence

The Association is economically dependent on the Province of Manitoba which provides funding through Sport Manitoba.

3. Canada Emergency Business Account loan:

The loan bears interest at 0% until December 31, 2023 and is due on demand. However, during the year ended May 31, 2022, the Association determined that they did not qualify for the loan and the loan was repaid in the current year.

4. Government assistance:

During the year ended May 31, 2022, the Association applied for the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy relating to salaries and rent paid during the year ended May 31, 2022. \$19,036 of Canada Emergency Wage Subsidy and Hardest Hit Business Recovery Program subsidies and \$97 of Canada Emergency Rent Subsidy is included in government assistance for the year ended May 31, 2022.

During the year ended May 31, 2022, the Association applied for the Federal Emergency Sport Funding to keep operations viable and to assist community clubs during the year. \$10,000 is included in government assistance for the year ended May 31, 2022.

NOTES TO FINANCIAL STATEMENTS**FOR THE YEAR ENDED MAY 31, 2023****5. Winnipeg Foundation:**

The Association has entered into an agreement with The Winnipeg Foundation for establishment of The Friends of Badminton Manitoba Fund. The Winnipeg Foundation will preserve the capital and will distribute all income generated thereon to the Association in perpetuity. The fair value of these funds as at May 31, 2023 is \$67,225 (2022 - \$65,360).

6. Risk management and fair values:

Management's risk management policies are typically performed as a part of the overall management of the Association's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its operations, the Association is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Association, management considers the avoidance of undue concentrations of risk. These risks and the actions taken to manage them include the following:

Liquidity risk-

Liquidity risk is the risk that the Association cannot meet its financial obligations associated with financial liabilities in full. The Association's main sources of liquidity are its operations and funding from Sport Manitoba and various donors. The funds are primarily used to finance working capital and capital expenditure requirements and are adequate to meet the Association's financial obligations associated with financial liabilities.

Credit risk-

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Association has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Association also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information. An allowance for doubtful accounts of \$12,049 (2022 - \$nil) has been recorded for accounts receivable.

7. Restatement of comparative figures:

During the year, management of the Association determined that prepaid insurance costs were not properly expensed for the year-ended May 31, 2022. The comparative figures have been adjusted to increase other operating expenses \$3,162 and decrease the difference between revenues and expenses \$3,162 for the year ended May 31, 2022. Prepaid expenses and unrestricted net assets were also decreased \$3,162 as at May 31, 2022. There was no adjustment to the statement of cash flows for the change.

MANITOBA BADMINTON ASSOCIATION INC.

SCHEDULE OF OTHER OPERATING EXPENSES AND SALARIES AND BENEFITS

	Year ended May 31,		
	2023	2023	2022
	(budget)	(Actual)	(Actual)
	(unaudited)		(restated)
Other operating expenses			
Computer hardware/software	\$ 1,800	\$ 2,693	\$ 2,370
Equipment	8,000	4,106	1,396
Food and beverage	19,000	3,215	2,530
Insurance premiums (as restated - Note 7)	3,800	5,503	3,369
Membership/affiliation fees	13,000	887	964
Honourarium - officials & volunteers	10,500	7,729	6,778
Honorariums - coaching	3,000	1,347	4,569
Training & professional development	1,500	362	1,260
Prizes and souvenirs	5,500	618	1,803
Other operating costs	3,500	(451)	970
	<u>\$ 69,600</u>	<u>\$ 26,009</u>	<u>\$ 26,009</u>

	Year ended May 31,		
	2023	2023	2022
	(budget)	(Actual)	(Actual)
	(unaudited)		
Salaries and benefits			
Full time salary employees	\$ 125,500	\$ 131,137	\$ 117,661
Part time casual/temp admin & coaching salaries	34,000	25,661	25,708
Employee benefits	18,500	14,625	17,594
	<u>\$ 178,000</u>	<u>\$ 171,423</u>	<u>\$ 160,963</u>