

Canadian Soccer Association

Financial Statements
December 31, 2007

March 28, 2008

Auditors' Report

**To the Stakeholders of
Canadian Soccer Association**

We have audited the statement of financial position of **Canadian Soccer Association** as at December 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Acts, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Canadian Soccer Association

Statement of Financial Position

As at December 31, 2007

| | 2007 \$ | 2006 \$ |
|--|------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash | 1,699,312 | 2,146,251 |
| Cash held in trust (note 3) | — | 428,437 |
| Accounts receivable | 2,748,835 | 605,684 |
| Inventory | 22,773 | 13,663 |
| Prepaid expenses | 57,423 | 71,746 |
| | <u>4,528,343</u> | <u>3,265,781</u> |
| Capital assets (note 4) | <u>822,589</u> | <u>878,887</u> |
| | <u>5,350,932</u> | <u>4,144,668</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 2,408,202 | 1,577,965 |
| Mortgage payable (note 5) | 162,500 | 212,500 |
| Current portion of advances from FIFA— FIFA U20 World Cup Canada 2007 (note 6) | — | 1,038,200 |
| Deferred revenue – FIFA U20 World Cup Canada 2007 (note 7) | — | 1,812,498 |
| | <u>2,570,702</u> | <u>4,641,163</u> |
| Deferred contributions related to capital assets (note 8) | <u>228,772</u> | <u>236,820</u> |
| | <u>2,799,474</u> | <u>4,877,983</u> |
| Net assets (liabilities) | | |
| Unrestricted | 2,120,141 | (1,162,882) |
| Invested in capital assets | 431,317 | 429,567 |
| | <u>2,551,458</u> | <u>(733,315)</u> |
| | <u>5,350,932</u> | <u>4,144,668</u> |
| Commitments and contingencies (note 11) | | |

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors

D. Martineau Director

[Signature] Director

Canadian Soccer Association

Statement of Operations

For the year ended December 31, 2007

| | 2007 | 2006 |
|---|-------------------|--------------------|
| | \$ | \$ |
| Revenue | | |
| FIFA U20 World Cup Canada 2007 | 23,688,387 | — |
| Membership fees | 5,863,539 | 5,354,334 |
| Sponsorships and donations | 2,755,678 | 2,755,831 |
| Sport Canada grants | 1,790,767 | 1,424,262 |
| National teams gate receipts and other | 1,224,601 | 736,185 |
| Competitions | 1,149,343 | 875,473 |
| Merchandise | 322,385 | 360,135 |
| FIFA grants | 282,844 | 287,120 |
| Courses | 136,093 | 75,775 |
| Other | 79,034 | 101,303 |
| | <u>37,292,671</u> | <u>11,970,418</u> |
| Expense | | |
| FIFA U20 World Cup Canada 2007 | 21,315,773 | 2,238,061 |
| National team | 5,119,055 | 3,878,480 |
| Human resources | 2,202,388 | 2,750,290 |
| Competitions | 1,979,536 | 1,647,922 |
| Programs and administration | 943,873 | 762,327 |
| National training centre | 468,974 | 509,271 |
| Communications | 408,042 | 234,108 |
| Professional fees | 354,216 | 172,157 |
| Mini-soccer and sponsorship servicing | 354,034 | 404,773 |
| Meetings | 316,831 | 428,363 |
| Occupancy | 166,877 | 171,806 |
| Travel | 161,638 | 143,553 |
| Courses | 121,553 | 119,914 |
| Insurance | 56,168 | 42,160 |
| Merchandise | 38,940 | 138,370 |
| | <u>34,007,898</u> | <u>13,641,555</u> |
| Net revenue (expense) for the year | <u>3,284,773</u> | <u>(1,671,137)</u> |

The accompanying notes are an integral part of these financial statements.

Canadian Soccer Association

Statement of Changes in Net Assets

For the year ended December 31, 2007

| | Balance – Beginning of year \$ | Net revenue (expense) for the year \$ | Transfers from (to) \$ | Balance – End of year \$ |
|----------------------------|---|--|------------------------------|--------------------------------|
| Unrestricted | (1,162,882) | 3,361,684 | (78,661) | 2,120,141 |
| Invested in capital assets | 429,567 | (76,911) | 78,661 | 431,317 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | (733,315) | 3,284,773 | – | 2,551,458 |

The accompanying notes are an integral part of these financial statements.

Canadian Soccer Association

Statement of Cash Flows

For the year ended December 31, 2007

| | 2007 | 2006 |
|--|--------------------|------------------|
| | \$ | \$ |
| Cash provided by (used in) | | |
| Operating activities | | |
| Net revenue (expense) for the year | 3,284,773 | (1,671,137) |
| Items not affecting cash – | | |
| Amortization of capital assets | 84,959 | 99,120 |
| Amortization of deferred contributions related to capital assets | (8,048) | (8,049) |
| Net change in non-cash working capital items – | | |
| Accounts receivable | (2,143,151) | 7,857 |
| Inventory | (9,110) | 39,798 |
| Prepaid expenses | 14,323 | 384,739 |
| Accounts payable and accrued liabilities | 830,237 | 763,182 |
| Deferred revenue – FIFA U20 World Cup Canada 2007 | (1,812,498) | 1,812,498 |
| | <u>241,485</u> | <u>1,428,008</u> |
| Investing activity | | |
| Purchase of capital assets | <u>(28,661)</u> | <u>(134,787)</u> |
| Financing activities | | |
| Advances from FIFA U20 World Cup Canada 2007 | (1,038,200) | 684,306 |
| Repayment of FIFA loan | – | (23,220) |
| Repayment of mortgage payable | <u>(50,000)</u> | <u>(42,307)</u> |
| | <u>(1,088,200)</u> | <u>618,779</u> |
| Net increase in cash | (875,376) | 1,912,000 |
| Cash – Beginning of year | <u>2,574,688</u> | <u>662,688</u> |
| Cash – End of year | <u>1,699,312</u> | <u>2,574,688</u> |
| Cash | 1,699,312 | 2,146,251 |
| Cash held in trust | – | 428,437 |
| | <u>1,699,312</u> | <u>2,574,688</u> |

The accompanying notes are an integral part of these financial statements.

Canadian Soccer Association

Notes to Financial Statements

December 31, 2007

1 Purpose of the Association

The mission of the Canadian Soccer Association (“the Association”), in partnership with its members, is to promote the growth and development of soccer for all Canadians at all levels and to provide leadership and good governance for the sport. The Association is incorporated under the Canada Corporations Act and is a registered Canadian amateur athletic association under the Income Tax Act.

2 Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

Inventory

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

Capital assets

Capital assets are recorded at cost and then amortized over their estimated useful lives, on a straight-line basis, as follows:

| | |
|-------------------------|----------|
| Building | 40 years |
| Building improvements | 10 years |
| Furniture and equipment | 3 years |

Revenue recognition

The Association follows the deferral method of accounting for revenues. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributed soccer equipment and air travel vouchers are recorded at their fair value.

Canadian Soccer Association

Notes to Financial Statements

December 31, 2007

3 Cash held in trust

The Association received a restricted contribution in 2006 from The Alberta Soccer Association which was directed towards the FIFA U20 World Cup Canada 2007. These funds were held in trust.

4 Capital assets

| | | | 2007 | 2006 |
|-------------------------|------------------|----------------|----------------|----------------|
| | Cost | Accumulated | Net | Net |
| | \$ | amortization | \$ | \$ |
| | | \$ | | |
| Land | 255,998 | – | 255,998 | 255,998 |
| Building | 615,171 | 178,143 | 437,028 | 452,407 |
| Building improvements | 177,396 | 106,791 | 70,605 | 82,635 |
| Furniture and equipment | 398,203 | 339,245 | 58,958 | 87,847 |
| | <u>1,446,768</u> | <u>624,179</u> | <u>822,589</u> | <u>878,887</u> |

5 Mortgage payable

The mortgage payable is an open mortgage, due on demand, bearing interest at prime plus 0.75% per annum. The mortgage is payable on a monthly basis until February 15, 2011. The mortgage is secured by the Association's land and building and all personal property of the Association (defined as inventory, equipment and receivables) as well as personal property acquired in the future.

6 Advances from FIFA – FIFA U20 World Cup Canada 2007

| | 2007 | 2006 |
|--------------------------|-------------|------------------|
| | \$ | \$ |
| Opening balance | 1,038,200 | 353,894 |
| Advances received | 1,319,011 | 684,306 |
| FIFA contribution earned | (2,357,211) | – |
| Closing balance | <u>–</u> | <u>1,038,200</u> |

7 Deferred revenue – FIFA U20 World Cup Canada 2007

| | 2007 | 2006 |
|----------------------|----------|------------------|
| | \$ | \$ |
| Advance ticket sales | – | 1,297,992 |
| Government funding | – | 514,506 |
| | <u>–</u> | <u>1,812,498</u> |

Canadian Soccer Association

Notes to Financial Statements

December 31, 2007

8 Deferred contributions related to capital assets

In 1996, the Association received contributions of \$320,958 for the purchase of the present office building. These contributions have been deferred and are being amortized over 40 years, the same amortization period as the related building.

| | 2007 \$ | 2006 \$ |
|--|----------------|----------------|
| Opening balance | 236,820 | 244,869 |
| Amortization of deferred contributions | (8,048) | (8,049) |
| Closing balance | <u>228,772</u> | <u>236,820</u> |

9 Contributed goods and services

Contributed soccer equipment of \$800,000 (2006 – \$320,000) and air travel voucher expense of \$31,618 (2006 – \$22,119) have been recognized in the statement of operations.

10 Financial instruments

The carrying amounts of cash, cash held in trust, accounts receivable, accounts payable and advances approximate their fair values due to their short-terms to maturity. The carrying value of the mortgage payable approximate its fair value as it bears interest at a floating interest rate.

Credit risk

The Association's accounts receivable are not subject to a high concentration of credit risk.

Interest rate risk

The Association's principal exposure to interest rate fluctuations is limited to the mortgage payable (as described in note 5) which bears interest at a floating interest rate.

Currency risk

The Association incurs expenses and receives contributions in foreign currencies, which gives rise to the risk that results of operations and cash flows may be adversely impacted by exchange rate fluctuations. The Association does not use derivative instruments to manage this risk.

Canadian Soccer Association

Notes to Financial Statements

December 31, 2007

11 Commitments and contingencies

a) Commitments

- i. The Association is committed until August 31, 2013 under an agreement with one of its members to make annual payments of a maximum of \$90,000 with respect to a soccer field capital project. In return, the Association receives priority utilization for its player development program and is entitled to receive 50% of any revenue generated from third party rentals of the facility.
- ii. The Association is also committed under operating leases for equipment, cars and buildings as follows:

| | | \$ |
|--------------------------|------|--------|
| Year ending December 31, | 2008 | 44,906 |
| | 2009 | 30,016 |
| | 2010 | 6,113 |
| | 2011 | 845 |

b) Contingencies

In the normal course of operations, the Association is threatened from time-to-time with, or named as a defendant in, legal proceedings. The Association has been named in two lawsuits of which the outcomes cannot be determined at this time. It is expected that any liability arising from these lawsuits should be covered by the Association's liability insurance.

12 Comparative figures

Comparative figures are reclassified where necessary to conform to the presentation of the current year.