



December 15, 2017

## **Independent Auditor's Report**

### **To the Members of Ottawa Senators Foundation**

We have audited the accompanying financial statements of Ottawa Senators Foundation ("the Foundation"), which comprise the statement of financial position as at July 31, 2017 and the statements of changes in fund balances, operations and cash flows for the year then ended, and the related notes, which comprise 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 entity'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 entity'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.

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

**Basis for qualified opinion**

In common with many not-for-profit organizations, the Foundation derives revenue from other donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to other donations revenue, net revenue (expense) for the year and cash flows from operations for the years ended July 31, 2017 and 2016, current assets as at July 31, 2017 and 2016 and fund balances as at the beginning and the end of the years ended July 31, 2017 and 2016. Our audit opinion on the financial statements for the year ended July 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

**Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Foundation as at July 31, 2017 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.



**Chartered Professional Accountants, Licensed Public Accountants**

# Ottawa Senators Foundation

## Statement of Financial Position

As at July 31, 2017

	2017 \$	2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,318,640	1,561,933
Restricted short-term investment (note 3)	140,000	-
Accounts receivable	338,798	428,698
Accounts receivable from related parties (note 5)	99,196	190,452
Inventory	46,112	45,018
Prepaid expenses	73,216	60,834
	<u>3,015,962</u>	<u>2,286,935</u>
<b>Capital assets</b> (note 8)	132,419	153,779
	<u>3,148,381</u>	<u>2,440,714</u>
<b>Liabilities and Fund Balances</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	776,434	544,065
Accounts payable and accrued liabilities to related parties (note 5)	43,565	86,098
Deferred contributions (note 9)	695,038	629,373
	<u>1,515,037</u>	<u>1,259,536</u>
<b>Fund balances</b>		
General Fund	1,313,915	769,178
Restricted Fund	319,429	412,000
	<u>1,633,344</u>	<u>1,181,178</u>
	<u>3,148,381</u>	<u>2,440,714</u>

**Commitments** (note 4)

**Subsequent event** (note 12)

**Approved by the Board of Directors**

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

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

**Ottawa Senators Foundation**  
Statement of Changes in Fund Balances  
For the year ended July 31, 2017

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	<b>Balance - Beginning of year \$</b>	<b>Net revenue for the year \$</b>	<b>Balance - End of year \$</b>
General Fund	769,178	544,737	1,313,915
Restricted Fund (note 7)	412,000	(92,571)	319,429
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	1,181,178	452,166	1,633,344

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

# Ottawa Senators Foundation

## Statement of Operations

For the year ended July 31, 2017

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	2017	2016
	\$	\$
<b>Revenue</b>		
Fundraising (note 11)	4,442,940	2,190,927
Community events	1,099,336	831,654
Donations and gifts	646,067	761,478
Other donations	-	18,695
	<hr/> 6,188,343	<hr/> 3,802,754
<b>Expense</b>		
Fundraising (notes 10 and 11)	2,748,396	963,854
Community events (note 10)	372,746	304,293
Donations and gifts (note 10)	116,983	178,709
Administrative	482,625	364,504
Donations (note 7)	2,034,700	4,300,774
	<hr/> 5,755,450	<hr/> 6,112,134
<b>Net revenue (expense) before the undernoted</b>	432,893	(2,309,380)
Bank interest and investment income	19,273	93,901
Investment management fees	-	(14,248)
Change in fair value of investments	-	(112,719)
	<hr/> 452,166	<hr/> (2,342,446)

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

# Ottawa Senators Foundation

## Statement of Cash Flows

For the year ended July 31, 2017

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	2017 \$	2016 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net revenue (expense) for the year	452,166	(2,342,446)
Items not affecting cash -		
Amortization of capital assets	21,360	24,642
Change in fair value of investments	-	112,719
Non-cash interest and investment income - Net of investment management fees	-	(64,506)
Net change in non-cash operating components of working capital -		
Accounts receivable	89,900	(117,511)
Accounts receivable from related parties	91,256	189,094
Inventory	(1,094)	(13,411)
Prepaid expenses	(12,382)	(44,674)
Accounts payable and accrued liabilities	232,369	72,632
Accounts payable and accrued liabilities from related parties	(42,533)	(152,071)
Deferred contributions	65,665	175,906
	<u>896,707</u>	<u>(2,159,626)</u>
<b>Investing activities</b>		
Proceeds on sale of investments	-	2,304,351
Purchase of investments	(140,000)	-
	<u>(140,000)</u>	<u>2,304,351</u>
<b>Net change in cash during the year</b>	<b>756,707</b>	<b>144,725</b>
<b>Cash - Beginning of year</b>	<b>1,561,933</b>	<b>1,417,208</b>
<b>Cash - End of year</b>	<b><u>2,318,640</u></b>	<b><u>1,561,933</u></b>

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

# Ottawa Senators Foundation

## Notes to Financial Statements

July 31, 2017

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### 1 Primary purpose

Ottawa Senators Foundation (“the Foundation”) was incorporated under letters patent dated January 21, 1998. The Foundation solicits donations and contributions and carries on events in order to donate funds and make donations in-kind to registered charities and other organizations. The Foundation empowers children and youth to reach their full potential by investing in incredible social recreation and education programs that promote both physical and mental wellness.

The Foundation, a registered charity, is incorporated under the provisions of the *Canada Not-for-profit Corporations Act* and is exempt from income taxes under section 149(1)(f) of the *Income Tax Act*.

### 2 Summary of significant accounting policies

#### Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 dates of the financial statements and the reported amounts of revenue and expense during the reporting periods. The Foundation has used estimates in determining certain amounts included in accounts receivable, inventory and accounts payable and accrued liabilities. Actual results could differ from these estimates.

#### Fund accounting

The Foundation uses fund accounting to report revenue and expense for specific activities.

The General Fund accounts for general fundraising and administrative activities.

The Restricted Fund accounted for revenues and related expenses, where donors specifically identified the use of the funds for Roger Neilson House for Palliative Care (“Roger Neilson House”). This Fund became inactive upon the signing of new agreements with Roger Neilson House on December 22, 2015. Roger Neilson House promotes the celebration of life and paediatric palliative care including respite care for children, youths and families, anchored in an innovative, family-centred, holistic approach. Effective with the signing of the new agreements, amounts received by the Foundation that are to be used for Roger Neilson House are recorded in accordance with the Foundation’s revenue recognition policy for externally restricted contributions. At the discretion of the Foundation the Restricted Fund balance will be donated to Roger Neilson House.

#### Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry fixed income investments at fair value, determined by the closing unit market price.

# Ottawa Senators Foundation

## Notes to Financial Statements

July 31, 2017

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Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Foundation expects to realize by exercising its right to any collateral. If events or circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

### Capital assets

Capital assets are recorded at cost. Amounts capitalized as assets include all costs directly attributable to their acquisition, including legal and professional fees related thereto.

Capital assets are amortized on the following basis.

Furniture, fixtures and equipment	20% declining balance
Leasehold improvements	Straight-line over the term of the lease (10 years)
Computer equipment	20% declining balance

The Foundation tests the recoverability of capital assets whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Foundation records an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable from estimated undiscounted future cash flows expected to be generated from that asset's use and eventual disposal. An impairment loss, if any, is calculated as the amount by which the carrying amount of the asset exceeds the estimated discounted future cash flows expected to be generated from the asset's use and eventual disposal.

### Inventory

Inventory is recorded at the lower of cost, determined on a first-in, first-out basis, and current replacement cost.

### Allocated expenses

A portion of general support expenses is allocated to fundraising, community events, and donations and gift expenses. These expenses are allocated based on a percentage of the net revenue earned.

### Revenue recognition

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

# Ottawa Senators Foundation

Notes to Financial Statements

July 31, 2017

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Externally restricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the related event or program has been completed. Externally restricted contributions received in advance for events and programs that have not yet been provided are deferred and recognized as revenue in the period in which the associated event or program is held.

## Contributed services

A substantial number of volunteers contribute a significant amount of their time each year to Foundation programs and events. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

## 3 Restricted short-term investment

The investment is a guaranteed investment certificate earning interest at 1.15%, maturing December 27, 2017. This investment is restricted as a requirement of the Foundation's 50/50 program as per the agreement with the Alcohol and Gaming Commission of Ontario.

## 4 Commitments

### a) Donations

The Foundation is committed to provide various organizations with donations as follows.

	\$
Year ending July 31, 2018	597,500
2019	207,500
2020	70,000
2021	60,000
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	935,000
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# Ottawa Senators Foundation

## Notes to Financial Statements

July 31, 2017

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### b) Lease

The Foundation is committed to a 10-year office space lease agreement with [REDACTED] terminating on July 31, 2024, as follows.

	\$
Year ending July 31, 2018	55,000
2019	56,980
2020	78,750
2021	78,750
2022	78,750
Thereafter	<u>150,938</u>
	<u>499,168</u>

## 5 Economic dependence and related party transactions

The Foundation and [REDACTED] entered into a sponsorship agreement dated August 1, 2017, for the period from August 1, 2017 to July 31, 2020, with the mutual right to renew for one year.

[REDACTED]  
[REDACTED] The rights granted to the Foundation pursuant to the sponsorship agreement represent a material component of the Foundation's charitable fundraising activities and as a result the Foundation is economically dependent on [REDACTED] and the Senators.

Pursuant to the sponsorship agreement the Foundation contracts services from [REDACTED] for accounting, information technology, human resources, marketing and sales. Services contracted during the year totalled \$191,312 (2016 - \$189,244).

Under agreements with [REDACTED] and [REDACTED] revenue from some contracts is shared. [REDACTED]. During the year, the Foundation recognized \$520,790 (2016 - \$475,850) in revenue from shared contracts.

At year-end, accounts payable and accrued liabilities to related parties are amounts due to [REDACTED] and [REDACTED] and accounts receivable from related parties are amounts due from [REDACTED] and [REDACTED]. These accounts receivable and accounts payable and accrued liabilities are non-interest bearing.

# Ottawa Senators Foundation

## Notes to Financial Statements

July 31, 2017

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### 6 Financial risks

#### Credit risk

The Foundation has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks. The Foundation's donor base consists of a large number of diverse donors and as a result, concentration with respect to trade receivables is not significant.

### 7 Donations

In 2017, donations include a \$325,000 donation to Roger Neilson House, of which \$92,571 is the only transaction of the Restricted Fund. In 2016, the \$2,314,293 net expense of the Restricted Fund included a one-time \$2,200,000 donation to Children's Hospital of Eastern Ontario Foundation ("CHEO Foundation") for Roger Neilson House, pursuant to new agreements to manage the relationship between the Foundation, Roger Neilson House and CHEO Foundation.

### 8 Capital assets

	2017		2016	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Furniture, fixtures and equipment	35,952	18,695	17,257	21,571
Leasehold improvements	160,966	49,599	111,367	127,463
Computer equipment	6,778	2,983	3,795	4,745
	<u>203,696</u>	<u>71,277</u>	<u>132,419</u>	<u>153,779</u>

### 9 Deferred contributions

Deferred contributions represents unspent funds for specific programs. A continuity of deferred contributions for the year is as follows.

	2017 \$	2016 \$
<b>Balance - Beginning of year</b>	629,373	453,467
Add: Funds received from contributors	1,102,707	1,163,815
Less: Funds recognized as revenue	<u>(1,037,042)</u>	<u>(987,909)</u>
<b>Balance - End of year</b>	<u>695,038</u>	<u>629,373</u>

# Ottawa Senators Foundation

Notes to Financial Statements

July 31, 2017

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## 10 Allocation of expenses

General support expenses have been allocated as follows.

	2017 \$	2016 \$
Fundraising	207,771	214,981
Community events	132,418	108,735
Donations and gifts	14,978	37,697
	<u>355,167</u>	<u>361,413</u>

## 11 Fundraising

In 2017, the Foundation signed a lottery licence agreement taking over direct responsibility for the 50/50 lottery from a third party. Therefore 2017 fundraising revenue and expenses include the gross revenue and expenses related to the 50/50 lottery. The net fundraising amount was included as fundraising revenue in 2016.

	2017 \$	2016 \$
Revenue	2,921,430	701,412
Expense	<u>1,825,856</u>	<u>94,567</u>
	<u>1,095,574</u>	<u>606,845</u>

## 12 Subsequent event

On September 28, 2017, the Foundation's board of directors passed a resolution to establish a \$600,000 Revolving Reserve from the General Fund, to fund the commitments and operations of the Foundation in the event of an NHL season stoppage.