

**Canadian Rugby Union - Fédération canadienne de Rugby**  
Non-Consolidated Financial Statements  
For the year ended December 31, 2021

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**Contents**

<b>Independent Auditor's Report</b>	2 - 3
<b>Non-Consolidated Financial Statements</b>	
Non-Consolidated Statement of Financial Position	4
Non-Consolidated Statement of Changes in Net Assets	5
Non-Consolidated Statement of Operations	6
Non-Consolidated Statement of Cash Flows	7
Notes to Non-Consolidated Financial Statements	8 - 23

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## Independent Auditor's Report

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**To the directors of Canadian Rugby Union - Fédération canadienne de Rugby**

### **Opinion**

We have audited the non-consolidated financial statements of Canadian Rugby Union - Fédération canadienne de Rugby (the Union), which comprise the non-consolidated statement of financial position as at December 31, 2021, and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of Canadian Rugby Union - Fédération canadienne de Rugby as at December 31, 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 Non-Consolidated Financial Statements section of our report. We are independent of the Union 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.

### **Material Uncertainty Related to Going Concern**

Without modifying our opinion, we draw your attention to Note 2 in the non-consolidated financial statements, which indicates that the Union temporarily suspended a significant portion of its operations during COVID-19 and has a negative working capital of \$867,088. This condition along with the other matters as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Union's ability to continue as a going concern.

### **Responsibilities of Management and Those Charged with Governance for the Non-Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements, management is responsible for assessing the Union'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 Union or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Union's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 Union'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 Union'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 non-consolidated 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 Union to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Union to express an opinion on the non-consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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, Licensed Public Accountants

Ottawa, Ontario  
Report Date

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Non-Consolidated Statement of Financial Position**

December 31	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,137,879	\$ 3,178,232
Temporary investments	41,332	108,452
Accounts receivable (Note 3)	865,567	442,908
Grants receivable	1,463,659	162,438
Inventories (Note 4)	358,410	146,751
Prepaid expenses	234,911	261,140
	<u>4,101,758</u>	<u>4,299,921</u>
Investments in controlled organizations (Note 13)	9,994	380,851
Tangible capital assets and leased tangible capital assets (Note 5)	<u>7,656,629</u>	<u>7,944,069</u>
	<u>\$ 11,768,381</u>	<u>\$ 12,624,841</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,923,527	\$ 1,237,336
Players Legacy Fund payable	574,287	593,116
Deferred fees (Note 8)	760,404	539,462
Deferred contributions (Note 8)	961,290	3,085,187
Construction costs payable (Note 7)	591,923	591,923
Note payable to the City of Langford (Note 7)	-	1,113,501
Current portion of obligations under capital leases (Note 7)	148,110	140,462
Due to controlled organizations (Note 13)	9,305	-
	<u>4,968,846</u>	<u>7,300,987</u>
Note payable to the City of Langford (Note 7)	1,139,900	-
Obligations under capital leases (Note 7)	1,382,636	1,531,745
Deferred contributions related to leased tangible capital assets (Note 9)	3,380,527	3,474,430
Deferred lease inducement	41,492	55,323
	<u>10,913,401</u>	<u>12,362,485</u>
Contractual obligations (Note 10)		
Contingencies (Note 11)		
Going concern (Note 2)		
<b>Net Assets (Deficiency)</b>		
Contribution of land	290,206	290,206
Internally restricted (Note 15)	48,721	48,721
Unrestricted	516,053	(76,571)
	<u>854,980</u>	<u>262,356</u>
	<u>\$ 11,768,381</u>	<u>\$ 12,624,841</u>

On behalf of the board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Non-Consolidated Statement of Changes in Net Assets**

For the year ended December 31

	Unrestricted	Contribution of Land	Internally Restricted	2021	2020
Balance, beginning of the year	\$ (76,571)	\$ 290,206	\$ 48,721	\$ 262,356	\$ (738,541)
Excess of revenues over expenses	592,624	-	-	592,624	1,000,897
<b>Balance, end of the year</b>	<b>\$ 516,053</b>	<b>\$ 290,206</b>	<b>\$ 48,721</b>	<b>\$ 854,980</b>	<b>\$ 262,356</b>

Draft - subject to change

## Canadian Rugby Union - Fédération canadienne de Rugby Non-Consolidated Statement of Operations

For the year ended December 31	2021	2020
<b>Revenues</b>		
<b>External Funding</b>		
Sport Canada	\$ 5,358,731	\$ 2,012,269
World Rugby Limited	2,021,793	1,340,437
Other grants	706,836	542,027
	<b>8,087,360</b>	<b>3,894,733</b>
<b>Membership</b>		
National registration and insurance	<b>877,253</b>	<b>1,124,851</b>
<b>Rugby Canada</b>		
Amortization of contributions related to leased tangible capital assets (Note 9)	93,903	93,903
Cost recoveries	-	21,674
Domestic competitions	190,784	6,600
Donations	155,098	201,393
Fundraising	30,000	38,101
National teams	420,679	78,483
Other income	87,628	58,274
Sales of merchandise	373,674	373,171
Sponsorships	1,190,848	747,438
	<b>2,542,614</b>	<b>1,619,037</b>
<b>Other</b>		
Canada Emergency Wage Subsidy	868,737	1,007,160
Revenue (loss) from controlled organizations (Note 13)	(370,857)	1,575,456
	<b>497,880</b>	<b>2,582,616</b>
	<b>12,005,107</b>	<b>9,221,237</b>
<b>Expenses</b>		
Accounting, legal and professional fees	253,777	274,922
Amortization of tangible capital assets and leased tangible capital assets	342,806	363,934
Domestic competitions	86,414	2,775
Exchange loss	12,074	1,142
National insurance	415,547	475,241
National office and general administration	259,062	288,915
National teams	6,829,859	3,405,593
Marketing	358,476	277,365
Program development	6,466	7,681
Cost of sales (Note 4)	343,421	296,684
Interest and bank charges	8,645	31,743
Staff salaries, benefits and commissions	2,095,382	2,445,858
Team costs	50,096	248,628
Travel	350,458	99,859
	<b>11,412,483</b>	<b>8,220,340</b>
<b>Excess of revenues over expenses</b>	<b>\$ 592,624</b>	<b>\$ 1,000,897</b>

The notes are an integral part of these non-consolidated financial statements.

## Canadian Rugby Union - Fédération canadienne de Rugby Non-Consolidated Statement of Cash Flows

For the year ended December 31	2021	2020
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 592,624	\$ 1,000,897
Items not affecting cash:		
Amortization of tangible capital assets	342,806	363,934
Amortization of deferred capital contributions	(93,903)	(93,903)
Unrealized foreign exchange loss (gain)	184,273	(369,072)
Amortization of deferred lease inducement	(13,831)	(13,831)
Revenue (loss) from controlled organizations	370,857	(1,126,456)
Accretion expense related to obligations under capital lease	1,405	1,334
	<u>1,384,231</u>	<u>(237,097)</u>
Changes in non-cash working capital:		
Accounts receivable	(409,935)	357,342
Grants receivable	(1,301,221)	176,598
Inventories	(211,659)	33,167
Prepaid expenses	26,229	(95,175)
Accounts payable and accrued liabilities	694,614	(895,784)
Deferred fees	220,942	(318,424)
Deferred contributions	(2,123,897)	2,230,007
	<u>(1,720,696)</u>	<u>1,250,634</u>
<b>Cash flows from investing activities</b>		
Increase in cash - restricted	-	72,081
Purchase of temporary investments	(41,332)	(108,452)
Redemption of temporary investments	108,452	106,822
Repayment from controlled organizations	-	109,609
Acquisition of tangible capital assets	(55,366)	(53,303)
Distributions from controlled organizations	-	1,375,000
	<u>11,754</u>	<u>1,501,757</u>
<b>Cash flows from financing activities</b>		
Repayment of bank overdraft and line of credit	-	(30,000)
Increase in the note payable to the City of Langford	26,399	63,034
Repayments of obligations under capital lease	(142,866)	(136,109)
Advances from controlled organizations	9,305	(20,108)
	<u>(107,162)</u>	<u>(123,183)</u>
<b>Other activity</b>		
Foreign exchange gain (loss) on cash held in foreign currency	(224,249)	341,229
<b>Net (decrease) increase in cash</b>	<u>(2,040,353)</u>	<u>2,970,437</u>
Cash, beginning of the year	<u>3,178,232</u>	<u>207,795</u>
<b>Cash, end of year</b>	<u>\$ 1,137,879</u>	<u>\$ 3,178,232</u>

The notes are an integral part of these non-consolidated financial statements.

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# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2021

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### 1. Accounting Policies

<b>Status and Purpose of Organization</b>	Canadian Rugby Union - Fédération canadienne de Rugby (the Union) is a not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act. The Union's purpose is the development and promotion of the sport of rugby. The Union is a Registered Canadian Amateur Athletic Association under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.
<b>Basis of Accounting</b>	These non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
<b>Presentation of Controlled Organizations</b>	Canada International Sevens GP Ltd., Canada Men's International Sevens Limited Partnership and Canada Women's International Sevens Limited Partnership are for-profit entities controlled and wholly owned by the Union. The Union has chosen to account for its interest in the controlled organizations using the equity method. The investment is initially recorded at cost and is adjusted thereafter to include the Union's share of income and losses of the controlled organizations computed by the consolidation method. Information regarding these controlled organizations is presented in Note 13.
<b>Use of Estimates</b>	The preparation of non-consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to the allowance for doubtful accounts receivable, the estimated useful lives of tangible capital assets and leased capital assets, insurance claims payable included in accounts payable and accrued liabilities, and the valuation of the controlled organizations.
<b>Revenue Recognition</b>	<p>The Union follows the deferral method of accounting for external funding. Restricted contributions, which include grants, donations and fundraising for specific purposes, are recognized as revenue in the year in which the related expenses are incurred.</p> <p>Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Contributions related to tangible capital assets are deferred and amortized on the same basis as the related tangible capital assets.</p> <p>National insurance and national registration are recognized as revenue proportionately over the year to which they relate.</p>



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# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2021

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### 1. Accounting Policies (continued)

**Revenue Recognition (continued)** International events, domestic competitions and sponsorships are recognized when the event occurs.

Revenue from sales of merchandise is recognized when the goods have been transferred and collection is reasonably assured.

National teams revenue is comprised of external funding, national registration, sponsorships, other income and donations. These amounts are recognized in accordance with the respective policies as noted above.

**Inventories** Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

**Financial Instruments** Initial and subsequent measurement  
The Union initially measures its financial assets and liabilities at fair value. The Union has no financial instruments required to be carried at fair value and, as a result, subsequently measures all its financial assets and financial liabilities at amortized cost.

Impairment  
Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment.

Transaction costs  
Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the non-consolidated statement of operations over the life of the instrument using the straight-line method.

# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

**December 31, 2021**

### 1. Accounting Policies (continued)

<b>Tangible Capital Assets</b>	<p>Tangible capital assets are accounted for at cost and amortized over their useful lives using the following methods and annual rates or period:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Building</td> <td>40 years straight-line</td> </tr> <tr> <td>Computers</td> <td>30% diminishing balance basis</td> </tr> <tr> <td>Donated rugby equipment</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Leased equipment</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Office equipment</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Office furniture</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Software</td> <td>30% diminishing balance basis</td> </tr> <tr> <td>Vehicle</td> <td>30% diminishing balance basis</td> </tr> <tr> <td>Leased software</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Leasehold improvements</td> <td>straight-line basis over the term of the lease</td> </tr> </table>	Building	40 years straight-line	Computers	30% diminishing balance basis	Donated rugby equipment	20% diminishing balance basis	Leased equipment	20% diminishing balance basis	Office equipment	20% diminishing balance basis	Office furniture	20% diminishing balance basis	Software	30% diminishing balance basis	Vehicle	30% diminishing balance basis	Leased software	20% diminishing balance basis	Leasehold improvements	straight-line basis over the term of the lease
Building	40 years straight-line																				
Computers	30% diminishing balance basis																				
Donated rugby equipment	20% diminishing balance basis																				
Leased equipment	20% diminishing balance basis																				
Office equipment	20% diminishing balance basis																				
Office furniture	20% diminishing balance basis																				
Software	30% diminishing balance basis																				
Vehicle	30% diminishing balance basis																				
Leased software	20% diminishing balance basis																				
Leasehold improvements	straight-line basis over the term of the lease																				
<b>Impairment of Long-Lived Assets</b>	<p>In the event that facts and circumstances indicate that the Union's long-lived assets may be impaired, a test for recoverability would be performed.</p> <p>Such a test entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to fair value is required.</p> <p>For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group. An asset group is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.</p>																				
<b>Contributed Materials and Services</b>	<p>Contributed materials and services that are used in the normal course of the Union's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution. A corresponding amount of revenue is recorded on the same basis as the expense is recognized.</p>																				
<b>Deferred Lease Inducement</b>	<p>The lease inducement is deferred and amortized over the term of the lease.</p>																				
<b>Translation of Foreign Currency Transactions and Balances</b>	<p>Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date. Other assets, other liabilities, revenues and expenses are translated at the rate of exchange prevailing on the transaction date. Exchange gains and losses are included in the non-consolidated statement of operations.</p>																				

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## Canadian Rugby Union - Fédération canadienne de Rugby Notes to Non-Consolidated Financial Statements

December 31, 2021

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### 1. Accounting Policies (continued)

#### Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments including any bargain purchase option and the property's fair value at the beginning of the lease. Amortization relating to capital leases is recorded in accordance with the policy stated above. All other leases are accounted for as operating leases wherein lease payments are expensed over the term of the lease.

#### Government of Canada Wage Subsidies

Funding received from the the government of Canada is subject to specific terms and conditions regarding the expenditure of the funds. The Union's accounting records may be subject to audit by the Canada Revenue Agency (CRA) to identify instances, if any, which amounts are charged against the funds have not complied with the agreed terms and conditions and which would therefore be refundable to the CRA.

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## Canadian Rugby Union - Fédération canadienne de Rugby Notes to Non-Consolidated Financial Statements

December 31, 2021

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### 2. Going Concern

These non-consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern in accordance with Canadian accounting standards for not-for-profit organizations, which assumes that the Union will be able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of business. If the going concern assumption were not appropriate for these non-consolidated financial statements then adjustments would be required to the carrying value of the assets and liabilities.

The Union realized an excess of revenue over expenses of \$592,624 which resulted in an unrestricted surplus of \$516,053 at December 31, 2021. These results are due to receiving the Canadian Emergency Wage Subsidy in the amount of \$868,737, increased revenues as COVID-19 restrictions begin to lift, Rugby events resume and continued cost management by the Union. In 2021, Management and the Board of Directors were successful in their efforts to settle a substantial portion of 2020 liabilities. This led to a considerable improvement in the prior year working capital deficit of \$3,001,067, as it decreased to \$867,088 for the year ended December 31, 2021. The Union continues to make improving their working capital position a primary focus.

However there is continued uncertainty caused by COVID-19 as described in Note 13 which may have a significant impact on the Union's future operations and cash flows. Additionally, the Senior Men's team did not qualify for the 2023 Rugby World Cup which may impact future funding levels.

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### 3. Accounts Receivable

	<u>2021</u>	<u>2020</u>
Trade	\$ 765,762	\$ 263,244
Trade - controlled organizations	117,981	197,840
Allowance for doubtful accounts	<u>(18,176)</u>	<u>(18,176)</u>
	<u>\$ 865,567</u>	<u>\$ 442,908</u>

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**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2021**

**4. Inventories**

	2021	2020
Retail merchandise and rugby equipment	\$ 159,074	\$ 145,922
Gift of kit	199,336	829
	\$ 358,410	\$ 146,751

The amount of inventories recognized as an expense during the year is \$801,441 (2020 - \$338,012). This expense has been recorded as cost of sales, national team and team expenses in the non-consolidated statement of operations.

**5. Tangible Capital Assets and Leased Tangible Capital Assets**

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
<b>Operating</b>				
Computers	\$ 309,980	\$ 248,001	\$ 278,508	\$ 221,438
Donated rugby equipment	277,222	204,991	264,618	186,934
Leased equipment	593,339	355,975	593,339	296,635
Office equipment	93,600	72,279	94,550	66,948
Office furniture	173,840	147,580	173,840	141,016
Software	232,490	204,940	233,214	193,133
Vehicle	12,237	2,447	-	-
Leased software	56,996	50,411	56,271	47,589
Leasehold improvements	240,882	231,584	240,882	207,496
<b>National Training Centre</b>				
Land	496,000	-	496,000	-
Building	7,431,391	743,140	7,431,391	557,355
	\$ 9,917,977	\$ 2,261,348	\$ 9,862,613	\$ 1,918,544
Net carrying amount		\$ 7,656,629		\$ 7,944,069

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2021**

**6. Bank Overdraft and Line of Credit**

The Union has an operating line of credit with a maximum authorized amount of \$150,000 that is due on demand and bears interest at the bank's prime rate plus 2.75%, calculated and payable monthly. This is secured by a general security agreement covering all assets including the temporary investments. At December 31, 2021, the Union had undrawn credit capacity of \$150,000.

**7. Obligations Under Capital Leases**

	2021	2020
Royal Bank of Canada, with an implicit rate of 5.34%, due December 2022, payable by monthly instalments of \$10,320, principal and interest.	\$ 120,697	\$ 235,782
City of Langford, 5.20%, due December 2033, payable by monthly instalments of \$8,333 principal and interest, and a purchase option of \$1,000,000 at the end of the lease term.	1,410,049	1,436,425
	1,530,746	1,672,207
Less: principal portion due within one year	148,110	140,462
	<b>\$ 1,382,636</b>	<b>\$ 1,531,745</b>

Minimum lease payments required under capital leases are as follows:

2022	\$ 223,836
2023	99,996
2024	99,996
2025	99,996
2026	99,996
Thereafter	1,599,976
	2,223,796
Less: interest included in payments	693,050
	<b>\$ 1,530,746</b>

Interest on obligations under capital leases for the year is \$83,377 (2020 - \$152,098) and has been included in the national teams expenses in the non-consolidated statement of operations.

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## Canadian Rugby Union - Fédération canadienne de Rugby Notes to Non-Consolidated Financial Statements

December 31, 2021

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### 7. Obligation Under Capital Leases (continued)

In 2017, the Union entered into an agreement (the Agreement) with the City of Langford (the City) for the construction and lease of the National Training Centre (the Facility).

Under the Agreement, the City constructed the Facility on property owned by the City. The cost of construction of the Facility including the fair value of the land totaled \$7,927,391, of which \$591,923 was incurred and became a payable in 2018. The lease agreement is for a term of 15 years commencing January 2018. During the lease term, monthly payments of \$8,333 will be made to the City. At the end of the lease term, the Union has the option to acquire the land and building for a final payment of \$1,000,000. As this is considered to be a bargain purchase option, the lease is accounted for as a capital lease.

The Union has financed the Facility as follows:

- A contribution from Economic Development Agency Canada in the amount of \$2,935,250;
- a contribution from the City in the amount of \$1,111,095;
- a note payable to the City in the amount of \$1,000,000;
- lease payments of \$100,000 a year until 2033, payable to the City,
- payments by the Union in the amount of \$789,904; and
- construction costs payable to the City in the amount of \$591,923.

The note payable to the City of \$1,139,900 includes accrued interest of \$139,900 and has an extended due date of December 31, 2023. It has therefore been classified as a non-current liability in the 2021 non-consolidated statement of financial position. Interest on any outstanding principal accrues at a rate of 2.1% between August 31, 2021 and December 31, 2023. The 10% penalty interest has been waived for the period of September 1, 2021 to December 31, 2023.

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**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2021**

**8. Deferred Fees and Contributions**

Deferred fees and contributions represent funds received to cover operating expenses in the subsequent year. The balance is comprised of the following:

	<u>2021</u>	<u>2020</u>
<b>Deferred fees</b>		
Dues and insurance from players	\$ 687,724	\$ 116,132
Sponsorships	72,500	423,150
Other	180	180
	<u>\$ 760,404</u>	<u>\$ 539,462</u>

	<u>Balance, beginning of the year</u>	<u>Received in the year</u>	<u>Recognized as revenue</u>	<u>2021</u>
<b>Deferred contributions</b>				
Sport Canada	\$1,553,271	\$3,805,460	\$(5,358,731)	\$ -
Macron S.p.A	-	489,988	(309,682)	180,306
World Rugby Limited	918,308	1,444,163	(2,021,793)	340,678
Other contributions	181,071	-	(181,071)	-
Restricted donations	432,537	20,000	(12,231)	440,306
	<u>\$3,085,187</u>	<u>\$5,759,611</u>	<u>\$(7,883,508)</u>	<u>\$ 961,290</u>

**9. Deferred Contributions Related to Leased Tangible Capital Assets**

Deferred contributions related to leased tangible capital assets represents contributions received for leased tangible capital assets and restricted donations relating to the acquisition of a building. The balance is comprised of the following:

	<u>2021</u>	<u>2020</u>
Balance, beginning of the year	\$ 3,474,430	\$ 3,568,333
Less: amount amortized to operations	<u>(93,903)</u>	<u>(93,903)</u>
Balance, end of the year	<u>\$ 3,380,527</u>	<u>\$ 3,474,430</u>



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## Canadian Rugby Union - Fédération canadienne de Rugby

### Notes to Non-Consolidated Financial Statements

December 31, 2021

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#### 10. Contractual Obligations

In addition to the obligations under capital lease disclosed in Note 7, the Union has an operating lease for its premises at \$13,412 per month, ending in September 2024. Future minimum lease payments as follows:

2022	\$	162,947
2023	\$	163,142
2024	\$	122,857
2025	\$	2,000
2026	\$	2,000
Thereafter	\$	2,000

In 2019, the Union subleased one of the premises for annual lease payments of \$120,080 until May 2021, increasing to \$122,784 from June 2021 to May 2023 and increasing to \$128,193 from June 2023 to September 2024.

The Union also entered into a supply agreement for technical kits and merchandise expiring December 31, 2029 which requires that the Union spend an annual minimum amount of \$325,000 for the purchase of merchandise and other supplies starting in 2022. If the Union does not meet its obligation for minimum spending, then 50% of the difference between the amount purchased and the minimum obligation is owed to the supplier.

The Canada Men's International Sevens Limited Partnership (Canada Men's) and the Canada Women's International Sevens Limited Partnership (Canada Women's) have also entered into the following contractual obligations:

- A consulting contract with TTG and Torque expiring June 2022. The contract includes commissions on sponsorships, a monthly retainer, profit sharing and office space. The annual minimum commitment under this contract is for \$223,490 for 2022.
- A consulting contract with John Furlong Enterprises expiring June 30, 2023, with a monthly retainer of \$4,000.
- An executive license agreement with BC Place with an aggregate fee of:
  - a) The greater of an annual minimum payment of \$142,109 and 7.5% of net revenue sales, up to a maximum of \$170,531 (both amounts subject to an annual 1.96% increase);
  - b) 10% of net sales revenue of event programs, souvenirs, novelties and other publications and
  - c) service charges defined as charges for event staff and services provided by BC Place

The future minimum payments include the following payments over the next two years:

2022	\$	578,551
2023	\$	195,850

The Canada Men's and Canada Women's also entered into multiple agreements for hotels related to the 2022 to 2024 tournaments. These contracts have minimum cancellation fees totalling \$492,375, however the cancellation fees may not apply if the contracts are terminated due to a force majeure such as COVID-19. See Note 12 for the full impact of COVID-19.

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## Canadian Rugby Union - Fédération canadienne de Rugby Notes to Non-Consolidated Financial Statements

December 31, 2021

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### 11. Contingencies

The Union is party to legal claims relating to accidents that occurred to participants during scheduled rugby games. The claims have been made against the Union's insurance policy and each incident is for an amount less than the single occurrence coverage available under the policy. Management cannot estimate the likelihood of the obligation under each claim but estimates that any resulting settlement will be covered under the terms of the insurance coverage in place for the Union. The Union's deductible related to these insurance claims is \$50,000 per claim up to a maximum of \$200,000 per year. Once this amount is reached, the deductible decreases to \$25,000 per claim. The estimated insurance deductible payable at December 31, 2021 of \$50,000 (2020 - \$50,000) has been recorded in accounts payable and accrued liabilities. Any difference between the actual settlement or claim payment and the amount recorded is not expected to be material and will be recorded as a gain or loss in the period it becomes known.

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### 12. Uncertainty due to COVID-19

Because of the pandemic and the health risks associated with the virus, the 2021 rugby playing season was suspended for part of the year which resulted in significant impact on the Union's operations. The 2022 playing season could see a return to normal, however given the uncertainty of the virus, there is a chance that the season will be suspended once again as the virus threatens the ability of the Union and rugby worldwide to compete and play the sport in a safe environment.

Even with the implementation of the vaccine and social restrictions beginning to lift, the Canadian economy recovery will take many months, with some predicting a return to economic stability only in 2023. This will have a significant impact on the revenues of the Union including grants, membership, domestic competition, donations, fundraising, international event, national teams sale of merchandise and sponsorship revenue.

In addition, if the impact of COVID-19 continues, there could be further effects on the Union, its funders, members, employees, suppliers, donors and sponsors that could impact the timing and amounts of revenue generated, the ability of the Union to conduct operations and host events, including the Sevens tournaments managed by the Canada Men's International Sevens Limited Partnership and Canada Women's International Sevens Limited Partnership, which are a significant source of revenue for the Union. At this time, the full potential impact of COVID-19 on the Union is not known.

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**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2021**

**13. Investments in Controlled Organizations and Due to/from Controlled Organizations**

Canada International Sevens GP Ltd. (CISGP), which is the general partner of the Canada Men's and the Canada Women's was incorporated under the laws of the Province of Alberta on February 20, 2015.

CISGP is controlled by the Union since the Union owns 100% of the Class "A" common shares, management of the Union is closely involved in developing the policies of CISGP and can influence their content.

Canada Men's and Canada Women's were created to manage the activities of the World Rugby Sevens Series and were incorporated under the laws of the Province of Alberta on February 26, 2015.

Canada Men's and Canada Women's are controlled by the Union since the Union owns 100% of the Limited Units and owns 100% of the General Units through CISGP.

	2021	2020
<b>Investments in Controlled Organizations</b>		
Canada International Sevens GP Ltd.	\$ 3	\$ 3
Canada Men's International Sevens Limited Partnership	(2,475)	380,848
Canada Women's International Sevens Limited Partnership	380,350	367,884
Allowance for impairment of the Canada Women's International Seven's Limited Partnership	(367,884)	(367,884)
	<b>\$ 9,994</b>	<b>\$ 380,851</b>

The impairment loss on investments in controlled organizations for the year is \$nil (2020 - \$367,884). This amount is included in revenue from controlled organizations in the non-consolidated statement of operations.

	2021	2020
<b>Due to Controlled Organizations</b>		
Canada Men's International Sevens Limited Partnership	<b>\$ 9,305</b>	<b>\$ -</b>

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2021**

**13. Investments in Controlled Organizations and Due from Controlled Organizations**  
(continued)

Summarized financial information relating to controlled organizations is as follows:

	CISGP	Canada Men's	Canada Women's
<b>June 30, 2021</b>			
Total assets	\$ 3	\$ 240,565	\$ 565,311
Total liabilities	-	243,035	184,963
Partners'/shareholder's equity (deficit)	\$ 3	\$ (2,470)	\$ 380,348
<b>June 30, 2020</b>			
Total assets	\$ 3	\$ 973,017	\$ 605,958
Total liabilities	-	592,163	238,077
Partners'/shareholder's equity	\$ 3	\$ 380,854	\$ 367,881

The results of operations are as follows:

	CISGP	Canada Men's	Canada Women's
<b>For the year ended June 30, 2021</b>			
Total revenue	\$ 1	\$ 50,030	\$ -
Total expenses	1	433,354	(12,467)
Net income (loss)	\$ -	\$ (383,324)	\$ 12,467
<b>For the year ended June 30, 2020</b>			
Total revenue	\$ 1	\$ 6,836,590	\$ 593,173
Total expenses	-	5,792,483	142,940
Net income	\$ 1	\$ 1,044,107	\$ 450,233

Cash flows are as follows:

	CISGP	Canada Men's	Canada Women's
<b>For the year ended June 30, 2021</b>			
Operating activities	\$ -	\$ (438,373)	\$ 84,957
Investing activities	-	(1,139)	20,108
Financing activities	-	(26,613)	1,032
Net cash flows	\$ -	\$ (466,125)	\$ 106,097

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2021**

**13. Investments in Controlled Organizations and Due from Controlled Organizations**  
(continued)

	CISGP	Canada Men's	Canada Women's
<b>For the year ended June 30, 2020</b>			
Operating activities	\$ -	\$ 1,562,184	\$ 31,506
Investing activities	-	(1,982)	-
Financing activities	-	(1,373,287)	4,712
<b>Net cash flows</b>	<b>\$ -</b>	<b>\$ 186,915</b>	<b>\$ 36,218</b>

The Union's investment in CISGP, Canada Men's and Canada Women's are reflected in these non-consolidated financial statements using financial information prepared as of June 30, 2021, covering the year from July 1, 2020 to June 30, 2021.

As the fiscal years of the Union and CISGP, Canada Men's and Canada Women's are not coterminous, significant financial transactions that occurred during the intervening period are disclosed as follows:

	CISGP	Canada Men's	Canada Women's
<b>For the period of July 1 to December 31, 2021</b>			
Total revenue	\$ -	\$ 4,607,274	\$ 170,580
Total expenses	-	4,534,459	2,795
<b>Net income</b>	<b>\$ -</b>	<b>\$ 72,815</b>	<b>\$ 167,785</b>

The results from the period of July 1 - December 31, 2020 are not recorded in these non-consolidated financial statements as they are not significant to the Union's operations.

During the year, the Union incurred total costs of \$480,000 (2020 - \$551,379) for salaries and benefits on behalf of the Canada Men's and Canada Women's, respectively, which were subsequently reimbursed. The Union received cash disbursements of \$nil (2020 - \$1,375,000) from the Canada Men's. The Union also received \$nil (2020 - \$84,000, \$165,000 and \$200,000) for event sponsorships, marketing and licensing fees respectively from the Canada Men's. These revenue amounts have been eliminated from the non-consolidated statement of operations under the consolidation method of accounting for the Union's share of income.

During the year, the Canada Men's and Canada Women's paid \$44,563 (2020 - \$430,282) to TTG Strategic Marketing & Communications Canada Corporation (TTG), a company related by virtue of common management, for the purchase of services and expense reimbursements.

The Canada Men's and Canada Women's paid \$3,565 (2020 - \$58,574) to Torque Marketing Strategies Ltd. ("Torque"), a company related by virtue of common management, for the purchase of services.

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## Canadian Rugby Union - Fédération canadienne de Rugby Notes to Non-Consolidated Financial Statements

December 31, 2021

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### 13. Investments in Controlled Organizations and Due from Controlled Organizations (continued)

The Canada Men's and Canada Women's paid \$9,200 (2020 - \$43,200) to members of the Board of Directors and companies owned by members of the Board of Directors for honorarium fees, sponsorship commission, retainer fees and a bonus.

These transactions are measured at cost.

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### 14. Financial Instruments

#### Liquidity risk

The Union is exposed to this risk mainly in respect of the accounts payable and accrued liabilities, Players Legacy Fund payable, the construction costs payable and the note payable to the City of Langford.

The Union manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, by holding assets that can be readily converted into cash, and by managing the term dates of its financial liabilities.

#### Credit risk

The Union is exposed to credit risk for its accounts and grants receivable. The majority of the Union's receivables are from government sources and provincial Unions. The Union works to ensure it continues to meet all eligibility criteria in order to qualify to receive the corresponding funding. The Union provides credit to its members in the normal course of its operations.

#### Currency risk

Approximately 17% of the Union's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at December 31, 2021, cash, accounts receivable and accounts payable of £133,349, £25,000 and £4,270 respectively (2020 - £406,308, £7,000 and £nil respectively) are denominated in Great Britain Pounds and converted into Canadian dollars. As at December 31, 2021, cash, accounts receivable and accounts payable of \$112,472, \$nil and \$17,000 respectively (2020 - \$24,984, \$19,023 and \$191,939 respectively) are denominated in US dollars and converted into Canadian dollars.

#### Interest rate risk

The Union is exposed to interest rate risk on its note payable to the City of Langford since it is subject to a variable interest rate. Variable rate instruments subject the Union to a related cash flow risk.

The above risks may increase in the future due to the uncertainty caused by COVID-19.

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**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2021**

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**15. Internally Restricted Net Assets**

The Board of Directors of the Union and provincial Unions have established the internally restricted net assets to keep monies in reserve for potential insurance claims in excess of the insurance policy coverage which may arise in the future. The internally restricted net assets have been established based on half the surplus from the insurance program with the provincial Unions unless otherwise resolved by the provincial Unions at the Annual General Meeting. As at December 31, 2021 cash of \$58,224 has been restricted in a separate bank account.

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Draft - subject to change