

**Canadian Rugby Union - Fédération canadienne de Rugby**  
Non-Consolidated Financial Statements  
For the year ended December 31, 2022

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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, 2022, 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, 2022, 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 \$1,950,349. 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 2023

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

December 31	2022	2021
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 1,930,717	\$ 1,137,879
Temporary investments	-	41,332
Accounts receivable (Note 3)	288,163	865,567
Grants receivable	281,497	1,463,659
Inventories (Note 4)	544,539	358,410
Prepaid expenses	304,219	234,911
	<u>3,349,135</u>	<u>4,101,758</u>
Investments in controlled organizations (Note 12)	184,907	9,994
Tangible capital assets and leased tangible capital assets (Note 5)	7,426,927	7,656,629
	<u>\$ 10,960,969</u>	<u>\$ 11,768,381</u>
<b>Liabilities and Net Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 963,037	\$ 1,923,527
Players Legacy Fund payable	574,287	574,287
Deferred fees (Note 8)	1,030,222	760,404
Deferred contributions (Note 8)	912,881	961,290
Construction costs payable (Note 7)	591,923	591,923
Note payable to the City of Langford (Note 7)	1,166,915	-
Current portion of obligations under capital leases (Note 7)	29,260	148,110
Due to controlled organizations (Note 12)	30,959	9,305
	<u>5,299,484</u>	<u>4,968,846</u>
Note payable to the City of Langford (Note 7)	-	1,139,900
Obligations under capital leases (Note 7)	1,353,009	1,382,636
Deferred contributions related to leased tangible capital assets (Note 9)	3,286,624	3,380,527
Deferred lease inducement	27,661	41,492
	<u>9,966,778</u>	<u>10,913,401</u>
Contractual obligations (Note 10)		
Contingencies (Note 11)		
Going concern (Note 2)		
<b>Net Assets</b>		
Contribution of land	290,206	290,206
Internally restricted (Note 15)	48,721	48,721
Unrestricted	655,264	516,053
	<u>994,191</u>	<u>854,980</u>
	<u>\$ 10,960,969</u>	<u>\$ 11,768,381</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	2022	2021
Balance, beginning of the year	\$ 516,053	\$ 290,206	\$ 48,721	\$ 854,980	\$ 262,356
Excess of revenues over expenses	139,211	-	-	139,211	592,624
<b>Balance, end of the year</b>	<b>\$ 655,264</b>	<b>\$ 290,206</b>	<b>\$ 48,721</b>	<b>\$ 994,191</b>	<b>\$ 854,980</b>

Draft - subject to change

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

For the year ended December 31	2022	2021
<b>Revenues</b>		
<b>External Funding</b>		
Sport Canada	\$ 3,719,485	\$ 5,358,731
World Rugby Limited	3,162,879	2,021,793
Other grants	345,930	706,836
	7,228,294	8,087,360
<b>Membership</b>		
National registration and insurance	2,345,806	877,253
<b>Rugby Canada</b>		
Amortization of contributions related to leased tangible capital assets (Note 9)	93,903	93,903
Domestic competitions	303,857	190,784
Donations	172,146	155,098
Fundraising	89,855	30,000
National teams	1,008,360	420,679
Other income	282,998	87,628
Sales of merchandise	323,202	373,674
Sponsorships	1,423,721	1,190,848
	3,698,042	2,542,614
<b>Other</b>		
Canada Emergency Wage Subsidy	-	868,737
Revenue (loss) from controlled organizations (Note 12)	488,933	(370,857)
	488,933	497,880
	13,761,075	12,005,107
<b>Expenses</b>		
Accounting, legal and professional fees	111,525	253,777
Amortization of tangible capital assets and leased tangible capital assets	306,344	342,806
Domestic competitions	24,433	86,414
Exchange loss	4,208	12,074
National insurance	592,603	415,547
National office and general administration	357,719	259,062
National teams	7,712,017	6,829,859
Marketing	871,527	358,476
Program development	17,568	6,466
Cost of sales (Note 4)	365,105	343,421
Interest and bank charges	16,552	8,645
Staff salaries, benefits and commissions	1,328,156	2,095,382
Team costs	286,950	50,096
Travel	1,627,157	350,458
	13,621,864	11,412,483
<b>Excess of revenues over expenses</b>	<b>\$ 139,211</b>	<b>\$ 592,624</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	2022	2021
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 139,211	\$ 592,624
Items not affecting cash:		
Amortization of tangible capital assets	306,344	342,806
Amortization of deferred capital contributions	(93,903)	(93,903)
Unrealized foreign exchange loss	29,949	184,273
Amortization of deferred lease inducement	(13,831)	(13,831)
Revenue (loss) from controlled organizations	(374,913)	370,857
Accretion expense related to obligations under capital lease	1,480	1,405
	<u>(5,663)</u>	1,384,231
Changes in non-cash working capital:		
Accounts receivable	598,965	(409,935)
Grants receivable	1,182,162	(1,301,221)
Inventories	(186,129)	(211,659)
Prepaid expenses	(69,308)	26,229
Accounts payable and accrued liabilities	(1,020,950)	694,614
Deferred fees	269,818	220,942
Deferred contributions	(48,409)	(2,123,897)
	<u>720,486</u>	<u>(1,720,696)</u>
<b>Cash flows from investing activities</b>		
Purchase of temporary investments	-	(41,332)
Redemption of temporary investments	41,332	108,452
Acquisition of tangible capital assets	(76,642)	(55,366)
Distributions from investments in controlled organizations	200,000	-
	<u>164,690</u>	<u>11,754</u>
<b>Cash flows from financing activities</b>		
Increase in the note payable to the City of Langford	27,015	26,399
Repayments of obligations under capital lease	(149,957)	(142,866)
Advances from controlled organizations	21,654	9,305
	<u>(101,288)</u>	<u>(107,162)</u>
<b>Other activity</b>		
Foreign exchange gain (loss) on cash held in foreign currency	8,950	(224,249)
<b>Net increase (decrease) in cash</b>	<b>792,838</b>	<b>(2,040,353)</b>
<b>Cash, beginning of the year</b>	<b>1,137,879</b>	<b>3,178,232</b>
<b>Cash, end of year</b>	<b>\$ 1,930,717</b>	<b>\$ 1,137,879</b>

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, 2022

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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 12.
<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 valuation of accounts receivable, valuation of inventories, 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.



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# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2022

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### 1. Accounting Policies (continued)

**Revenue Recognition** The Union follows the deferral method. Under the deferral method, 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.

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.

Contributions related to tangible capital assets are deferred and amortized on the same basis as the related tangible capital assets.

National insurance and national registration are recognized as revenue proportionately over the year to which they relate.

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 and insurance, 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, 2022

### 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, 2022

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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.

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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 \$139,211 which resulted in an unrestricted surplus of \$655,264 at December 31, 2022. These results are due to increased revenues as COVID-19 restrictions begin to lift, Rugby events resume and continued cost management by the Union. Despite these results, there the prior year working capital deficit of \$867,088 increased to \$1,950,349 for the year ended December 31, 2022. This is primarily due to the fact that the note payable to the City of Langford described in Note 7 will become due within the next year. The Union continues to make improving their working capital position a primary focus.

However there is continued uncertainty caused by the recent announcement that the HSBC Canada Sevens will be combined into one Women's and Men's event starting June 2023. 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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**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Notes to Non-Consolidated Financial Statements**

**December 31, 2022**

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**3. Accounts Receivable**

	<u>2022</u>	<u>2021</u>
Trade receivable	\$ 260,722	\$ 765,762
Trade receivable - controlled organizations	28,638	117,981
HST Receivable	32,561	-
Allowance for doubtful accounts	<u>(33,758)</u>	<u>(18,176)</u>
	<u>\$ 288,163</u>	<u>\$ 865,567</u>

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**4. Inventories**

	<u>2022</u>	<u>2021</u>
Retail merchandise and rugby equipment	\$ 341,416	\$ 159,074
Gift of kit	<u>203,123</u>	<u>199,336</u>
	<u>\$ 544,539</u>	<u>\$ 358,410</u>

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The amount of inventories recognized as an expense during the year is \$853,703 (2021 - \$801,441). This expense has been recorded as cost of sales, national team and team 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, 2022**

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

	2022		2021	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
<b>Operating</b>				
Computers	\$ 125,839	\$ 28,173	\$ 309,980	\$ 248,001
Donated rugby equipment	136,069	74,076	277,222	204,991
Leased equipment	593,339	403,449	593,339	355,975
Office equipment	58,366	26,457	93,600	72,279
Office furniture	48,040	25,614	173,840	147,580
Software	27,550	8,266	232,490	204,940
Vehicle	-	-	12,237	2,447
Leased software	18,888	13,620	56,996	50,411
Leasehold improvements	240,882	240,882	240,882	231,584
<b>National Training Centre</b>				
Land	496,000	-	496,000	-
Building	7,431,391	928,900	7,431,391	743,140
	<b>\$ 9,176,364</b>	<b>\$ 1,749,437</b>	<b>\$ 9,917,977</b>	<b>\$ 2,261,348</b>
Net carrying amount		<b>\$ 7,426,927</b>		<b>\$ 7,656,629</b>

**6. Line of Credit**

The Union has an operating line of credit with a maximum authorized amount of \$240,000 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 properties of the borrower. At December 31, 2022, the Union had undrawn credit capacity of \$240,000.

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

**December 31, 2022**

**7. Obligations Under Capital Leases**

	2022	2021
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.	\$ 1,382,269	\$ 1,410,049
Royal Bank of Canada, repaid during the year.	-	120,697
	1,382,269	1,530,746
Less: principal portion due within one year	29,260	148,110
	\$ 1,353,009	\$ 1,382,636

Minimum lease payments required under capital leases are as follows:

2023	\$ 100,000
2024	100,000
2025	100,000
2026	100,000
2027	100,000
Thereafter	1,500,000
	2,000,000
Less: interest included in payments	617,731
	\$ 1,382,269

Interest on obligations under capital leases for the year is \$72,220 (2021 - \$83,337) 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, 2022

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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 \$1,166,915 includes accrued interest of \$166,915 and has an extended due date of December 31, 2023. It has therefore been classified as a current liability in the 2022 non-consolidated statement of financial position. Interest on any outstanding principal accrues at a rate of 2.10% 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, 2022**

**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>2022</u>	<u>2021</u>
<b>Deferred fees</b>		
Dues and insurance from players	\$1,030,222	\$ 687,724
Sponsorships	-	72,500
Other	-	180
	<u>\$1,030,222</u>	<u>\$ 760,404</u>

	<u>Balance, beginning of the year</u>	<u>Received in the year</u>	<u>Recognized as revenue</u>	<u>2022</u>
<b>Deferred contributions</b>				
Sport Canada	\$ -	\$3,879,360	\$(3,719,485)	\$ 159,875
Macron S.p.A	180,306	306,002	(306,182)	180,126
World Rugby Limited	340,678	2,886,380	(3,162,879)	64,179
Other contributions	-	242,500	(181,875)	60,625
Restricted donations	440,306	20,000	(12,230)	448,076
	<u>\$ 961,290</u>	<u>\$7,334,242</u>	<u>\$(7,382,651)</u>	<u>\$ 912,881</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>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 3,380,527	\$ 3,474,430
Less: amount amortized to operations	<u>(93,903)</u>	<u>(93,903)</u>
Balance, end of the year	<u>\$ 3,286,624</u>	<u>\$ 3,380,527</u>



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

December 31, 2022

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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:

2023	\$	139,427
2024	\$	105,071
2025	\$	2,000
2026	\$	2,000
2027	\$	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 March 2023. The contract includes commissions on sponsorships, a monthly retainer, profit sharing and office space. The annual minimum commitment under this contract is for \$221,601 for 2023.
- 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 \$147,850 and 7.5% of net revenue sales, up to a maximum of \$177,420 (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:

2023	\$	493,951
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The Canada Men's and Canada Women's also entered into multiple agreements for hotels related to the 2023 tournaments. These contracts have minimum spending totalling \$771,947.

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

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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, 2022 of \$50,000 (2021 - \$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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Draft - subject to change

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

December 31, 2022

### 12. 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.

	2022	2021
<b>Investments in Controlled Organizations</b>		
Canada International Sevens GP Ltd.	\$ 3	\$ 3
Canada Men's International Sevens Limited Partnership	(30,088)	(2,475)
Canada Women's International Sevens Limited Partnership	214,992	380,350
Allowance for impairment of the Canada Women's International Seven's Limited Partnership	-	(367,884)
	<b>\$ 184,907</b>	<b>\$ 9,994</b>

During the year, a previous impairment loss of \$367,884 (2021 - \$nil) related to Canada Women's International Sevens Limited Partnership was reversed and this reversal is included in the non-consolidated statement of operations within the revenue (loss) controlled organizations.

	2022	2021
<b>Due to Controlled Organizations</b>		
Canada Men's International Sevens Limited Partnership	\$ 19,440	\$ 9,305
Canada Women's International Sevens Limited Partnership	11,519	-
	<b>\$ 30,959</b>	<b>\$ 9,305</b>

The amounts due to the controlled organizations are unsecured, interest free with no specified terms of repayment. As such, the amounts have been classified as a non-current asset in the statement of financial position.

**Canadian Rugby Union - Fédération canadienne de Rugby**  
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**December 31, 2022**

**12. 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, 2022</b>			
Total assets	\$ 3	\$ 2,649,033	\$ 822,249
Total liabilities	-	2,479,115	607,260
Partners'/shareholder's equity	\$ 3	\$ 169,918	\$ 214,989
<b>June 30, 2021</b>			
Total assets	\$ 3	\$ 240,565	\$ 565,311
Total liabilities	-	243,035	184,963
Partners'/shareholder's equity	\$ 3	\$ (2,470)	\$ 380,348

The results of operations are as follows:

	CISGP	Canada Men's	Canada Women's
<b>For the year ended June 30, 2022</b>			
Total revenue	\$ 1	\$ 8,224,216	\$ 720,953
Total expenses	1	8,051,828	886,312
Net income (loss)	\$ -	\$ 172,388	\$ (165,359)
<b>For the year ended June 30, 2021</b>			
Total revenue	\$ 1	\$ 50,030	\$ -
Total expenses	-	433,354	(12,467)
Net income	\$ 1	\$ (383,324)	\$ 12,467

Cash flows are as follows:

	CISGP	Canada Men's	Canada Women's
<b>For the year ended June 30, 2022</b>			
Operating activities	\$ -	\$ 312,946	\$ (193,443)
Investing activities	-	(43,718)	-
Financing activities	-	78,549	43,718
Net cash flows	\$ -	\$ 347,777	\$ (149,725)

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

**December 31, 2022**

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

	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
<b>Net cash flows</b>	<b>\$ -</b>	<b>\$ (466,125)</b>	<b>\$ 106,097</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, 2022, covering the year from July 1, 2022 to June 30, 2022.

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 would be disclosed. However, the results for the period from July 1 to December 31 2022 are not recorded in these non-consolidated financial statements as they are not significant to the Union's operations due to the timing of the events in March.

During the year, the Union incurred total costs of \$798,000 (2021 - \$480,000) for salaries and benefits on behalf of the Canada Men's and Canada Women's, respectively, which were subsequently reimbursed. The Union also received \$77,000, \$37,020 \$150,000 (2021 - \$nil, \$nil and \$nil) 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 \$287,534 (2021 - \$44,563) 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 \$nil (2021 - \$3,565) 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, 2022

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

The Canada Men's and Canada Women's paid \$74,000 (2021 - \$9,200) 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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### 13. 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, capital lease 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. There has been no changes in the liquidity risk comparing to prior year.

#### 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. There has been no changes in the credit risk comparing to prior year.

#### Currency risk

Approximately 23% of the Union's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at December 31, 2022, cash, accounts receivable and accounts payable of £138,380, £97,297 and £20,000 respectively (2021 - £113,349, £25,000 and £4,270 respectively) are denominated in Great Britain Pounds and converted into Canadian dollars. As at December 31, 2022, cash, accounts receivable and accounts payable of \$126,349, \$2,541 and \$7,950 respectively (2021 - \$112,472, \$nil and \$17,000 respectively) are denominated in US dollars and converted into Canadian dollars. There has been no changes in the credit risk comparing to prior year.

#### 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. There has been an increase in the interest rate risk compared to prior years due to the interest rate increases implemented by the Bank of Canada.

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

December 31, 2022

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### 14. Uncertainty due to COVID-19

The 2022 playing season saw a return for Rugby in Canada. However given the uncertainty of the virus, there was an impact on players returning following the pandemic. Even with the implementation of the vaccine and social restrictions lifted, economic stability will start to return in 2023. This will have a significant impact on the revenues and expenses of the Union specifically due to increased costs on hotels and travels.

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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### 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, 2022 cash of \$58,156 has been restricted in a separate bank account.