

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Non-Consolidated Financial Statements**  
For the year ended December 31, 2016

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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 Deficiency	5
Non-Consolidated Statement of Operations	6
Non-Consolidated Statement of Cash Flows	7
Notes to Non-Consolidated Financial Statements	8 - 17
Schedule - Sport Canada Contribution (unaudited)	18



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## Independent Auditor's Report

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

We have audited the accompanying non-consolidated financial statements of Canadian Rugby Union - Fédération canadienne de Rugby, which comprise the non-consolidated statement of financial position as at December 31, 2016, and the non-consolidated statements of operations, changes in net deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility 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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated financial statements.

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



### **Opinion**

In our opinion, the 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, 2016, 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.

### **Supplementary Financial Information**

Our audit was performed to form an opinion on the non-consolidated financial statements of Canadian Rugby Union - Fédération canadienne de Rugby as a whole. The supplementary financial information included in the Schedule is presented for the purpose of additional analysis and is not a required part of the non-consolidated financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the non-consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the non-consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the non-consolidated financial statements or to the non-consolidated financial statements themselves.

A handwritten signature in black ink that reads "BDO Canada LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario

April 2, 2017

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

December 31	2016	2015
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 294,673	\$ 135,447
Cash - restricted (Note 7)	327,230	268,457
Temporary investments (Note 2)	170,792	170,792
Accounts receivable	633,887	605,305
Grants receivable	279,190	319,449
Inventories (Note 3)	397,429	574,415
Prepaid expenses	203,829	206,045
Deposit (Note 9)	100,000	-
	2,407,030	2,279,910
Investments in controlled organizations (Note 11)	284,531	300
Tangible capital assets and leased tangible capital assets (Note 4)	405,845	453,383
Due from controlled organizations (Note 11)	312,448	58,635
	\$3,409,854	\$ 2,792,228
<b>Liabilities and Net Deficiency</b>		
<b>Current</b>		
Bank overdraft and line of credit (Note 5)	\$ 115,836	\$ 271,609
Accounts payable and accrued liabilities (Note 6)	1,234,178	1,169,187
Deferred fees and contributions (Note 7)	2,299,068	1,680,460
Current portion of obligations under capital leases	-	16,627
	3,649,082	3,137,883
Due to controlled organization (Note 11)	69,783	2,937
Deferred lease inducement (Note 8)	110,645	124,476
	3,829,510	3,265,296
Contractual obligations (Note 9)		
Contingencies (Note 10)		
<b>Net Deficiency</b>		
Internally restricted (Note 14)	18,721	202,635
Unrestricted	(438,377)	(675,703)
	(419,656)	(473,068)
	\$3,409,854	\$ 2,792,228

On behalf of the board:

 Director

 Director

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

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

<u>For the year ended December 31</u>	<u>Unrestricted</u>	<u>Internally Restricted</u>	<u>2016</u>	<u>2015</u>
Balance, beginning of the year	\$ (675,703)	\$ 202,635	\$ (473,068)	\$ (520,765)
Excess (deficiency) of revenues over expenses	<u>237,326</u>	<u>(183,914)</u>	<u>53,412</u>	<u>47,697</u>
<b>Balance, end of the year</b>	<b>\$ (438,377)</b>	<b>\$ 18,721</b>	<b>\$ (419,656)</b>	<b>\$ (473,068)</b>

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

For the year ended December 31	2016	2015
<b>Revenues</b>		
<b>External Funding</b>		
World Rugby Limited	\$ 2,122,719	\$ 3,699,454
Sport Canada	2,965,999	2,992,509
	5,088,718	6,691,963
<b>Membership</b>		
National insurance	701,124	868,738
National registration	952,546	862,176
	1,653,670	1,730,914
<b>Rugby Canada</b>		
Sponsorships	1,609,175	1,444,866
Fundraising	329,541	504,323
Donations	729,856	1,365,543
Domestic competitions	301,912	114,251
International events	1,311,131	1,845,326
National teams	1,897,341	1,590,919
Development - coaching and refereeing	156,856	110,817
Sales of merchandise	715,540	585,580
Rebate	24,946	128,000
Other income	209,858	106,639
	7,286,156	7,796,264
<b>Other</b>		
Revenue from controlled organizations (Note 11)	1,120,867	-
	15,149,411	16,219,141
<b>Expenses</b>		
Accounting, legal and professional fees	160,765	441,683
Amortization of tangible capital assets and leased tangible capital assets	114,614	107,718
Bad debts	26,073	1,250
Board of directors and planning meetings	220,187	316,210
Domestic competitions	591,525	389,187
Donations	470,066	933,033
Exchange loss (gain)	18,320	(159,330)
Fundraising	166,621	293,525
High Performance Center	140,057	10,975
International events	1,210,887	2,779,947
National insurance	806,646	688,487
National office and general administration	897,671	1,011,319
National registration	15,135	5,773
National teams	7,018,037	6,656,747
Marketing	462,508	670,667
Program development	621,756	364,283
Purchase of merchandise items	399,445	254,556
Short-term interest and bank charges	130,337	46,515
Staff salaries, benefits and commissions	1,625,349	1,358,899
	15,095,999	16,171,444
<b>Excess of revenues over expenses</b>	<b>\$ 53,412</b>	<b>\$ 47,697</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	2016	2015
<b>Cash flows from operating activities</b>		
Cash receipts from funders, members, clients and donors	\$ 14,542,103	\$ 16,639,148
Cash paid to suppliers and employees	(14,686,844)	(15,726,668)
Short-term interest and bank charges paid	(130,337)	(114,135)
Cash receipts from controlled organizations	836,634	-
	<u>561,556</u>	<u>798,345</u>
<b>Cash flows from investing activities</b>		
Acquisition of tangible capital assets	(74,843)	(138,943)
Acquisition of investments in controlled organizations	-	(300)
Increase in cash - restricted	(58,773)	(268,457)
Advances to controlled organizations	(256,750)	(55,698)
	<u>(390,366)</u>	<u>(463,398)</u>
<b>Cash flows from financing activities</b>		
Repayment of obligations under capital leases	(16,627)	(32,146)
Advances from controlled organizations	69,783	-
Repayment of demand loan	-	(139,604)
Decrease of bank overdraft and line of credit	(155,773)	(28,080)
	<u>(102,617)</u>	<u>(199,830)</u>
<b>Other activity</b>		
Foreign exchange gain on cash held in foreign currency	90,653	330
<b>Net increase in cash</b>	<b>159,226</b>	<b>135,447</b>
<b>Cash, beginning of the year</b>	<b>135,447</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 294,673</b>	<b>\$ 135,447</b>

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# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2016

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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 charity 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>	The non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
<b>Presentation of the 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 by the Union. They are not consolidated in these non-consolidated financial statements. The Union accounts 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 pro rata share of the earnings and losses of the controlled organizations computed by the consolidation method. Information regarding these controlled organizations is presented in Note 11.
<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 net realizable value of inventories, the estimated useful lives of tangible capital assets and leased tangible capital assets and accrued liabilities.
<b>Revenue Recognition</b>	<p>The Union follows the deferral method of accounting for external funding. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is 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>National insurance and national registration are recognized as revenue proportionately over the year to which they relate.</p> <p>International events, domestic competitions, sponsorships and other income are recognized when the event occurs.</p> <p>Revenue from sales of merchandise is recognized when the goods have been transferred and collection is reasonable assured.</p>



# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2016

### 1. Accounting Policies (continued)

<b>Revenue Recognition</b> (continued)	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.														
<b>Inventories</b>	Inventories are measured at the lower of cost and net realizable value. The cost is determined using the first-in, first-out method.														
<b>Financial Instruments</b>	<p><u>Initial and subsequent measurement</u> The Union initially measures its financial assets and liabilities at fair value. The Union subsequently measures all its financial assets and financial liabilities at amortized cost.</p> <p><u>Impairment</u> Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment.</p> <p><u>Transaction costs</u> 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.</p>														
<b>Tangible Capital Assets</b>	<p>Tangible capital assets are accounted for at cost and amortized on the basis of their useful lives using the following methods and annual rates or period:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Computers</td> <td>30% diminishing balance basis</td> </tr> <tr> <td>Donated rugby 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>Leasehold improvements</td> <td>straight-line basis over the term of the lease</td> </tr> </table>	Computers	30% diminishing balance basis	Donated rugby 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	Leasehold improvements	straight-line basis over the term of the lease
Computers	30% diminishing balance basis														
Donated rugby 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														
Leasehold improvements	straight-line basis over the term of the lease														
<b>Contributed Materials and Services</b>	Contributed materials and services which 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.														

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

December 31, 2016

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### 1. Accounting Policies (continued)

<b>Deferred Lease Inducement</b>	The lease inducement, which is recorded as other income, is deferred and amortized over the term of the lease.
<b>Translation of Foreign Currency Transactions and Items</b>	The Union uses the temporal method to translate its foreign currency transactions. Monetary assets and liabilities 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.
<b>Leases</b>	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 and the property's fair value at the beginning of the lease. Leased tangible capital assets are stated at cost less accumulated amortization. They are amortized on a 20% diminishing balance basis. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

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### 2. Temporary Investments

Short-term investments are comprised of cash balance of \$69,092 and two redeemable guaranteed investment certificates held at a chartered bank with effective interest rates of 0.05%, maturing in December 2017. They were purchased with donated funds from a previous year and are held as security for the Union's bank overdraft.

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### 3. Inventories

	2016	2015
Retail merchandise and rugby equipment	\$ 284,668	\$ 418,552
Gift of kit	112,761	155,863
	\$ 397,429	\$ 574,415

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

December 31, 2016

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#### 4. Tangible Capital Assets and Leased Tangible Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computers	\$ 182,033	\$ 125,935	\$ 171,427	\$ 101,893
Donated rugby equipment	213,393	95,059	160,047	65,476
Office equipment	49,107	38,524	45,983	35,878
Office furniture	149,967	113,242	149,967	104,061
Software	116,132	100,087	116,132	93,210
Vehicle	12,848	11,336	12,848	10,689
Leasehold improvements	240,882	111,143	240,882	78,708
Leased equipment	20,581	12,151	20,581	10,043
Leased software	56,272	27,893	56,272	20,798
	<b>\$ 1,041,215</b>	<b>\$ 635,370</b>	<b>\$ 974,139</b>	<b>\$ 520,756</b>
Net carrying amount		<b>\$ 405,845</b>		<b>\$ 453,383</b>

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#### 5. Bank Overdraft and Line of Credit

The Union has two operating loans with authorized amounts of \$150,000 and \$165,000 that are due on demand and bear interest at the bank's prime rate plus 2.75% and 1% respectively, calculated and payable monthly. They are both secured by a general security agreement covering all assets including the temporary investments as disclosed in Note 2. At December 31, 2016, the Union had undrawn credit capacity under these facilities of \$80,000 and \$104,164 respectively.

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#### 6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$46,975 (2015 - \$34,728).

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## Canadian Rugby Union - Fédération canadienne de Rugby

### Notes to Non-Consolidated Financial Statements

December 31, 2016

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#### 7. Deferred Fees and Contributions

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

	2016	2015
Dues and insurance from players	\$ 546,702	\$ 548,640
Sport Canada	802,715	-
World Rugby Limited	236,277	363,888
Under Armour sponsorship - gift of kit	112,761	155,863
Restricted donations	404,883	268,457
World Cup Legacy Fund	29,760	145,914
Other programs and events	165,970	197,698
	<u>\$ 2,299,068</u>	<u>\$ 1,680,460</u>

The restricted donations represent the capital campaign for the Rugby Canada's National High Performance Centre and have been reflected in a separate restricted cash balance in the non-consolidated statement of financial position.

The variations in the balance of deferred fees and contributions are as follows:

	2016	2015
Balance, beginning of the year	\$ 1,680,460	\$ 1,241,979
Plus: amount received during the year	2,695,659	2,022,547
Less: amount recognized in revenues during the year	(2,077,051)	(1,584,066)
	<u>\$ 2,299,068</u>	<u>\$ 1,680,460</u>

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#### 8. Deferred Lease Inducement

Under the terms of a lease agreement for the Toronto office premises entered in 2011 and extended in 2014, the Union received one month's tenancy on a rent free basis, as well as an allowance for leasehold improvements. The amount that would have otherwise been paid has been set up as a deferred liability and is amortized over the 10 year term of the lease, as other income (2016 - \$13,831; 2015 - \$13,831).

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## Canadian Rugby Union - Fédération canadienne de Rugby

### Notes to Non-Consolidated Financial Statements

December 31, 2016

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#### 9. Contractual Obligations

The Union has two operating leases for its premises at \$11,860 and \$8,500 per month, expiring in September 2024 and December 2026 respectively. The Union also has operating leases for its vehicles and various office equipment expiring, at the latest, in October 2017. Future minimum lease payments total \$2,240,171 and include the following payments over the next five years:

2017	\$	253,486
2018	\$	249,994
2019	\$	250,543
2020	\$	251,602
2021	\$	251,116

The Union, in conjunction with the City of Langford, is constructing the Rugby Canada's National High Performance Centre in Victoria, British Columbia. The total estimated cost of the project is \$7,335,816 of which the Union is responsible for paying \$2,900,566 via a \$1,000,000 loan repayable to the City of Langford and \$1,900,566 in cash contributions. The Union is responsible for any construction costs in excess of the budgeted amount. This information is based on the current draft agreement.

As at December 31, 2016 the Union has made cash contributions of \$100,000 toward the Rugby Canada's National High Performance Centre. This amount has been recorded as a deposit in the non-consolidated statement of financial position.

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#### 10. 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 is confident 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, 2016 of \$183,914 has been recorded in accounts payable and accrued liabilities.

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

December 31, 2016

### 11. Investments in Controlled Organizations and Due from Controlled Organizations

	2016	2015
<b>Investments in Controlled Organizations</b>		
Canada International Sevens GP Ltd.	\$ 100	\$ 100
Canada Men's International Sevens Limited Partnership	322,912	100
Canada Women's International Sevens Limited Partnership	(38,481)	100
	<b>\$ 284,531</b>	<b>\$ 300</b>
<b>Due from Controlled Organization</b>		
Canada Men's International Sevens Limited Partnership	\$ 312,448	\$ -
Canada Women's International Sevens Limited Partnership	-	58,635
	<b>\$ 312,448</b>	<b>\$ 58,635</b>
<b>Due to Controlled Organizations</b>		
Canada International Sevens GP Ltd.	\$ 100	\$ 100
Canada Men's International Sevens Limited Partnership	-	2,837
Canada Women's International Sevens Limited Partnership	69,683	-
	<b>\$ 69,783</b>	<b>\$ 2,937</b>

Canada International Sevens GP Ltd. ("CISGP"), which is the general partner of the Canada Men's International Sevens Limited Partnership and the Canada Women's International Sevens Limited Partnership, 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.

As at December 31, 2016, there was no activity in CISGP.

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

**December 31, 2016**

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

Canada Men's International Sevens Limited Partnership ("CMISLP"), which was created to manage the activities of the World Rugby Sevens Series, was incorporated under the laws of the Province of Alberta on February 26, 2015.

CMISLP is controlled by the Union since the Union owns 100% of the Limited Units and owns 100% of the General Units through CISGP, management of the Union is closely involved in developing the policies of CMISLP and can influence their content.

The summary financial statements of CMISLP for the 8 months ended December 31, 2016 are as follows. These summary financial statements reflect activities in the CMISLP after the CMISLP's year-end of April 30, 2016 which has been recorded as revenue from controlled organizations in the non-consolidated statement of operations.

	2016	2015
<b>Statement of financial position</b>		
Assets	\$ 898,292	\$ 187,373
Liabilities	\$ (1,631,723)	\$ (1,449,005)
Net deficiency	\$ 733,431	\$ 1,261,632
<b>Statement of operations</b>		
Expenses	\$ 1,059,573	\$ 1,261,733
<b>Statement of cash flows</b>		
Operating activities	\$ 188,586	\$ 157,272
Investing activities	\$ 387,599	\$ (2,838)
Financing activities	\$ 252,174	\$ 101

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

**December 31, 2016**

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

Canada Women's International Sevens Limited Partnership ("CWISLP"), which was created to manage the activities of the World Rugby Sevens Series, was incorporated under the laws of the Province of Alberta on February 26, 2015.

CWISLP is controlled by the Union since the Union owns 100% of the Limited Units and owns 100% of the General Units through CISGP, management of the Union is closely involved in developing the policies of CWISLP and the Union can influence their content.

The summary financial statements of CWISLP for the 8 months ended December 31, 2016 are as follows. as follows. These summary financial statements reflect activities in the CWISLP after the CWISLP's year-end of April 30, 2016 which has been recorded as revenue from controlled organizations in the non-consolidated statement of operations.

	2016	2015
<b>Statement of financial position</b>		
Assets	\$ 228,340	\$ 235
Liabilities	\$ (421,831)	\$ (117,944)
Net deficiency	\$ 193,491	\$ 117,709
<b>Statement of operations</b>		
Expenses	\$ 154,626	\$ 117,810
<b>Statement of cash flows</b>		
Operating activities	\$ (379,367)	\$ (58,501)
Investing activities	\$ 123,079	\$ -
Financing activities	\$ 251,420	\$ 58,735

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# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2016

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### 12. Financial Instruments

#### Liquidity risk

The Union is exposed to this risk mainly in respect of the bank overdraft and line of credit and accounts payable and accrued liabilities.

The Union's operations and cash flows are cyclical in nature and as such after year end, current assets increased significantly thereby eliminating the liquidity risk. The Union manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

#### 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 they 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 14% of the Union's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at December 31, 2016, cash, accounts receivable and accounts payable of £117,114, £39,740 and £8,384 respectively (2015 - nil, 2015 - £134,016 and £24,163 respectively) are denominated in Great Britain Pounds and converted into Canadian dollars. As at December 31, 2016, cash, accounts receivable and accounts payable of \$40,209, \$353,569 and \$12,003 respectively (2015 - \$858, \$4,000 and \$30,465 respectively) are denominated in US dollars and converted into Canadian dollars.

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### 13. Comparative Amounts

For comparison purposes, certain items of the previous year have been restated to reflect the non-consolidated financial statement presentation adopted in the current year.

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### 14. 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, 2016 cash of \$202,635 has been restricted in a separate bank account.

**Canadian Rugby Union - Fédération canadienne de Rugby  
Schedule - Sport Canada Contribution (unaudited)**

<b>For the year ended December 31</b>	<b>Sport Development</b>	<b>Enhanced Excellence</b>	<b>Total 2016</b>
<b>Revenues</b>			
General administration	\$ 105,000	\$ 18,125	\$ 123,125
Salaries, fees and benefits	75,000	192,363	267,363
Coaching salaries and professional development	-	392,984	392,984
National team program	325,000	1,610,660	1,935,660
Official Languages	11,500	-	11,500
Operatings and programming	123,000	-	123,000
International sports initiatives	5,400	-	5,400
	<b>644,900</b>	<b>2,214,132</b>	<b>2,859,032</b>
<b>Expenses</b>			
General administration	1,458,765	151,134	1,609,899
Governance	187,570	-	187,570
Salaries, fees and benefits	2,747,300	166,181	2,913,481
Coaching salaries and professional development	448,693	611,979	1,060,672
National team program	1,863,391	2,078,301	3,941,692
Official languages	18,607	-	18,607
Operations and programming	2,379,253	-	2,379,253
International sport initiatives	9,424	-	9,424
	<b>9,113,003</b>	<b>3,007,595</b>	<b>12,120,598</b>
<b>Deficiency of revenues over expenses</b>	<b>\$ (8,468,103)</b>	<b>\$ (793,463)</b>	<b>\$ (9,261,566)</b>