

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Non-Consolidated Financial Statements**  
For the year ended December 31, 2015

---

**Contents**

|   |              |
|---|--------------|
| <b>Independent Auditor's Report</b>                     | <b>2 - 3</b> |
| <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 - 15       |
| Schedule 1 - Sport Canada Contribution (unaudited)      | 16           |
| Schedule 2 - National Teams (unaudited)                 | 17           |

---

## Independent Auditor's Report

---

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, 2015, 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, 2015, 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 Schedule 1 and Schedule 2 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.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario

DATE

# Canadian Rugby Union - Fédération canadienne de Rugby

## Non-Consolidated Statement of Financial Position

| December 31   | 2015               | 2014                |
|---|--------------------|---------------------|
| <b>Assets</b>   |                    |                     |
| <b>Current</b>  |                    |                     |
| Cash  | \$ 135,447         | \$ -                |
| Cash - restricted   | 268,457            | -                   |
| Temporary investments (Note 2)  | 170,792            | 170,792             |
| Accounts receivable   | 605,305            | 710,325             |
| Grants receivable   | 319,449            | 208,360             |
| Inventories (Note 3)  | 574,415            | 419,297             |
| Prepaid expenses  | 206,045            | 441,475             |
|   | <u>2,279,910</u>   | <u>1,950,249</u>    |
| Investments in controlled organizations (Note 12)                             | 300                | -                   |
| <b>Tangible capital assets and leased tangible capital assets</b><br>(Note 4) | 453,383            | 422,159             |
| <b>Due from controlled organizations</b> (Note 12)                            | <u>55,698</u>      | <u>-</u>            |
|   | <u>\$2,789,291</u> | <u>\$ 2,372,408</u> |
| <b>Liabilities and Net Deficiency</b>   |                    |                     |
| <b>Current</b>  |                    |                     |
| Bank overdraft (Note 5)   | \$ 271,609         | \$ 299,689          |
| Demand loan   | -                  | 139,604             |
| Accounts payable and accrued liabilities (Note 6)                             | 1,169,187          | 1,024,822           |
| Deferred fees and contributions (Note 8)                                      | 1,680,460          | 1,241,979           |
| Current portion of obligations under capital leases (Note 7)                  | 16,627             | 29,454              |
|   | <u>3,137,883</u>   | <u>2,735,548</u>    |
| <b>Obligations under capital leases</b> (Note 7)                              | -                  | 19,319              |
| <b>Deferred lease inducement</b> (Note 9)                                     | <u>124,476</u>     | <u>138,306</u>      |
|   | <u>3,262,359</u>   | <u>2,893,173</u>    |
| <b>Contractual obligations</b> (Note 10)                                      |                    |                     |
| <b>Contingencies</b> (Note 11)  |                    |                     |
| <b>Net Deficiency</b>   |                    |                     |
| Internally restricted (Note 14)   | 202,635            | 150,884             |
| Unrestricted  | <u>(675,703)</u>   | <u>(671,649)</u>    |
|   | <u>(473,068)</u>   | <u>(520,765)</u>    |
|   | <u>\$2,789,291</u> | <u>\$ 2,372,408</u> |

On behalf of the board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

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

| For the year ended December 31                   | Unrestricted | Internally<br>Restricted | 2015         | 2014         |
|--|--------------|--------------------------|--------------|--------------|
| Balance, beginning of the year                   | \$ (671,649) | \$ 150,884               | \$ (520,765) | \$ (503,879) |
| Excess (deficiency) of revenues<br>over expenses | (4,054)      | 51,751                   | 47,697       | (16,886)     |
| Balance, end of the year                         | \$ (675,703) | \$ 202,635               | \$ (473,068) | \$ (520,765) |

# Canadian Rugby Union - Fédération canadienne de Rugby

## Non-Consolidated Statement of Operations

| For the year ended December 31   | 2015              | 2014               |
|--|-------------------|--------------------|
| <b>Revenues</b>  |                   |                    |
| <b>External Funding</b>  |                   |                    |
| World Rugby Limited  | \$ 3,699,454      | \$ 2,888,344       |
| Sport Canada   | 2,992,509         | 3,020,018          |
|  | <u>6,691,963</u>  | <u>5,908,362</u>   |
| <b>Membership</b>  |                   |                    |
| National insurance   | 868,738           | 762,667            |
| National registration  | 862,176           | 889,864            |
|  | <u>1,730,914</u>  | <u>1,652,531</u>   |
| <b>Rugby Canada</b>  |                   |                    |
| Sponsorships   | 1,444,866         | 779,208            |
| Fundraising  | 504,323           | 366,089            |
| Donations  | 1,226,647         | 1,091,519          |
| Domestic competitions  | 114,251           | 413,603            |
| International events   | 1,845,326         | 1,132,363          |
| National teams   | 1,590,919         | 877,035            |
| Development - coaching and refereeing                                      | 110,811           | 20,475             |
| Sales of merchandise   | 585,580           | 510,192            |
| Rebate   | 128,000           | -                  |
| Other income   | 106,639           | 82,361             |
|  | <u>7,657,362</u>  | <u>5,272,845</u>   |
|  | <u>16,080,239</u> | <u>12,833,738</u>  |
| <b>Expenses</b>  |                   |                    |
| Accounting, legal and professional fees                                    | 441,683           | 469,323            |
| Amortization of tangible capital assets and leased tangible capital assets | 107,718           | 93,474             |
| Bad debts  | 1,250             | 1,425              |
| Board of directors and planning meetings                                   | 179,394           | 207,590            |
| Domestic competitions  | 389,187           | 616,702            |
| Donations  | 933,033           | 750,639            |
| Exchange (gain) loss   | (159,330)         | 3,609              |
| Fundraising  | 293,525           | 232,821            |
| International events   | 2,779,947         | 1,421,605          |
| National insurance   | 688,487           | 580,215            |
| National office and general administration                                 | 1,011,690         | 878,067            |
| National registration  | 5,773             | 26,462             |
| National teams   | 6,612,261         | 5,204,858          |
| Marketing  | 670,667           | 521,310            |
| Program development  | 364,277           | 317,135            |
| Purchase of merchandise items  | 254,556           | 305,338            |
| Short-term interest and bank charges                                       | 46,515            | 50,602             |
| Staff salaries, benefits and commissions                                   | 1,411,909         | 1,111,281          |
|  | <u>16,032,542</u> | <u>12,792,456</u>  |
| <b>Excess of revenues over expenses before player injury settlement</b>    | 47,697            | 41,282             |
| Player injury settlement   | -                 | 58,168             |
| <b>Excess (deficiency) of revenues over expenses</b>                       | <u>\$ 47,697</u>  | <u>\$ (16,886)</u> |

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 2015 2014

### Cash flows from operating activities

|   |               |               |
|---|---------------|---------------|
| Cash receipts from funders, members, clients and donors | \$ 16,495,593 | \$ 12,729,281 |
| Cash paid to suppliers and employees                    | (15,742,113)  | (12,739,569)  |
| Short-term interest and bank charges paid               | (114,135)     | (50,602)      |
|   | 639,345       | (60,890)      |

### Cash flows from investing activities

|  |           |          |
|--|-----------|----------|
| Acquisition of tangible capital assets                 | (138,943) | (88,971) |
| Acquisition of investments in controlled organizations | (300)     | -        |
| Increase in cash - restricted                          | (268,457) | -        |
|  | (407,700) | (88,971) |

### Cash flows from financing activities

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Repayment of capital leases           | (32,146)  | (23,027)  |
| Advances to controlled organizations  | (55,698)  | -         |
| Repayment of demand loan              | (139,604) | (131,976) |
| (Increase) decrease of bank overdraft | (28,080)  | 299,689   |
|                                       | (255,528) | 144,686   |

### Other activity

|   |         |         |
|---|---------|---------|
| Foreign exchange gain (loss) on cash held in foreign currency | 159,330 | (3,609) |
|---|---------|---------|

### Net increase (decrease) in cash

135,447 (8,784)

### Cash, beginning of the year

- 8,784

### Cash, end of year

\$ 135,447 \$ -

---

# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2015

---

### 1. Accounting Policies

#### Status and Purpose of Organization

Canadian Rugby Union - Fédération canadienne de Rugby 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.

#### Basis of Accounting

The non-consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### Presentation of the Controlled Organizations

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 of the controlled organizations computed by the consolidation method. Information regarding these controlled organizations is presented in Note 12.

#### Use of Estimates

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 and the estimated useful lives of tangible capital assets and leased tangible capital assets.

#### Revenue Recognition

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.

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

International events, domestic competitions, sponsorships and other income are recognized when the event occurs.

Donations and fundraising revenues are recognized when the amounts are received.

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



---

# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2015

---

### 1. Accounting Policies (continued)

**Revenue Recognition (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.

**Inventories** Inventories are measured at the lower of cost and net realizable value. The 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 subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial instruments measured at amortized cost are cash, cash - restricted, temporary investments, accounts receivable, grants receivable, due from controlled organizations, bank overdraft, demand loan and accounts payable and accrued liabilities.

Impairment  
Financial assets measured at 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.

**Tangible Capital Assets** 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:

|                         |  |
|-------------------------|--|
| 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 |

**Contributed Materials and Services** 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.

# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2015

### 1. Accounting Policies (continued)

|  |   |
|--|---|
| Deferred Lease Inducement                              | The lease inducement, which is recorded as other income, is deferred and amortized over the term of the lease.  |
| Translation of Foreign Currency Transactions and Items | 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.   |
| 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 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. |

### 2. Temporary Investments

Short-term investments are comprised of cash balance of \$68,447 and two redeemable guaranteed investment certificates held at a chartered bank with effective interest rates of 0.05%, maturing in December 2016. They were purchased with donated funds from a previous year and are held as security for the Union's bank overdraft.

### 3. Inventories

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| Retail merchandise and rugby equipment | \$ 418,552        | \$ 349,584        |
| Gift of kit                            | 155,863           | 69,713            |
|  | <b>\$ 574,415</b> | <b>\$ 419,297</b> |

## Canadian Rugby Union - Fédération canadienne de Rugby

### Notes to Non-Consolidated Financial Statements

December 31, 2015

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

|                            | 2015              |                             | 2014              |                             |
|----------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
|                            | Cost              | Accumulated<br>Amortization | Cost              | Accumulated<br>Amortization |
| Computers                  | \$ 171,427        | \$ 101,893                  | \$ 140,466        | \$ 93,102                   |
| Donated rugby<br>equipment | 160,047           | 65,476                      | 88,407            | 41,833                      |
| Office equipment           | 45,983            | 35,878                      | 45,983            | 33,351                      |
| Office furniture           | 149,967           | 104,061                     | 149,967           | 92,585                      |
| Software                   | 116,132           | 93,210                      | 100,801           | 83,387                      |
| Vehicle                    | 12,848            | 10,689                      | 12,848            | 9,763                       |
| Leasehold improvements     | 240,882           | 78,708                      | 240,882           | 60,689                      |
| Leased equipment           | 20,581            | 10,043                      | 20,581            | 8,084                       |
| Leased software            | 56,272            | 20,798                      | 56,272            | 11,254                      |
|                            | <b>\$ 974,139</b> | <b>\$ 520,756</b>           | <b>\$ 856,207</b> | <b>\$ 434,048</b>           |
| Net carrying amount        |                   | <b>\$ 453,383</b>           |                   | <b>\$ 422,159</b>           |

#### 5. Bank Overdraft

The Union has two operating loans with authorized amounts of \$130,000 and \$165,000 that are both 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, 2015, the Union had undrawn credit capacity under these facilities of \$5,000 and \$18,391 respectively.

#### 6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$34,728 (2014 - \$27,090).

# Canadian Rugby Union - Fédération canadienne de Rugby

## Notes to Non-Consolidated Financial Statements

December 31, 2015

### 7. Obligations Under Capital Leases

|   | 2015     | 2014      |
|---|----------|-----------|
| <b>Equipment</b>  |          |           |
| 2.08%, due March 2016, payable by monthly instalments of \$589, principal and interest.       | \$ 1,516 | \$ 8,716  |
| <b>Software</b>   |          |           |
| 4.56%, due September 2016, payable by monthly instalments of \$1,988, principal and interest. | 15,111   | 40,057    |
|   | 16,627   | 48,773    |
| Less: principal portion due within one year   | 16,627   | 29,454    |
|   | \$ -     | \$ 19,319 |

### 8. 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:

|                                       | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
| Dues and insurance from players       | \$ 548,640   | \$ 535,215   |
| World Rugby Limited                   | 363,888      | 43,938       |
| UnderArmour sponsorship - gift of kit | 155,863      | 69,713       |
| Restricted donations                  | 268,457      | -            |
| World Cup Legacy Fund                 | 145,914      | 322,545      |
| Other programs and events             | 197,698      | 270,568      |
|                                       | \$ 1,680,460 | \$ 1,241,979 |

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

### 9. 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 (2015 - \$13,831; 2014 - \$16,903).

---

## Canadian Rugby Union - Fédération canadienne de Rugby

### Notes to Non-Consolidated Financial Statements

December 31, 2015

---

#### 10. Contractual Obligations

The Union has two operating leases for its premises at \$11,730 and \$8,667 per month, expiring in September 2024 and December 2026 respectively. The Union also has operating leases for its vehicles and different office equipment expiring, at the latest, in January 2019. Future minimum lease payments total \$2,518,943 and include the following payments over the next five years:

|      |    |         |
|------|----|---------|
| 2016 | \$ | 288,177 |
| 2017 | \$ | 253,742 |
| 2018 | \$ | 251,609 |
| 2019 | \$ | 247,606 |
| 2020 | \$ | 248,251 |

---

#### 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 is confident that any resulting settlement will be covered under the terms of the insurance coverage in place for the Union.

---

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

|   | 2015          | 2014        |
|---|---------------|-------------|
| Canada International Sevens GP Ltd.                     | \$ 100        | \$ -        |
| Canada Men's International Sevens Limited Partnership   | 100           | -           |
| Canada Women's International Sevens Limited Partnership | 100           | -           |
|   | <u>\$ 300</u> | <u>\$ -</u> |

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, 2015, there was no activity in CISGP.

---

## Canadian Rugby Union - Fédération canadienne de Rugby

### Notes to Non-Consolidated Financial Statements

December 31, 2015

---

#### 12. 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 at December 31, 2015 are as follows:

|  | <u>2015</u>    |
|--|----------------|
| <b>Statement of financial position</b> |                |
| Assets                                 | \$ 187,373     |
| Liabilities                            | \$ 1,449,005   |
| Net deficiency                         | \$ (1,261,632) |
| <b>Statement of operations</b>         |                |
| Expenses                               | \$ 1,261,733   |
| <b>Statement of cash flows</b>         |                |
| Operating activities                   | \$ 157,272     |
| Financing activities                   | \$ 101         |
| Investing activities                   | \$ (2,838)     |

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 CISGPL, 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 at December 31, 2015 are as follows:

|  | <u>2015</u>  |
|--|--------------|
| <b>Statement of financial position</b> |              |
| Assets                                 | \$ 235       |
| Liabilities                            | \$ 117,944   |
| Net deficiency                         | \$ (117,709) |
| <b>Statement of operations</b>         |              |
| Expenses                               | \$ 117,810   |
| <b>Statement of cash flows</b>         |              |
| Operating activities                   | \$ (58,501)  |
| Financing activities                   | \$ 58,735    |

---

---

## Canadian Rugby Union - Fédération canadienne de Rugby

### Notes to Non-Consolidated Financial Statements

December 31, 2015

---

#### 13. Financial Instruments

##### Liquidity risk

The Union is exposed to this risk mainly in respect of the bank overdraft, accounts payable and accrued liabilities and the current portion of obligations under capital leases.

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. When it is required, 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 23% of the Union's activities are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at December 31, 2015, accounts receivable and accounts payable of £134,016 and £24,163 respectively (2014 - £nil and £nil respectively) are denominated in Great Britain Pounds and converted into Canadian dollars. As at December 31, 2015, cash, accounts receivable and accounts payable of \$858, \$4,000 and \$30,465 respectively (2014 - \$nil, \$nil and \$nil respectively) are denominated in US dollars and converted into Canadian dollars.

---

#### 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. As at December 31, 2015 cash of \$150,884 has been restricted in a separate bank account.

In 2015, the Board of Directors approved that expenses totalling \$76,750 be reflected in the insurance program surplus calculation. They were allocated as follows: \$25,000 to the Centre of Excellence and \$51,750 to Community Rugby.

**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Schedule 1 - Sport Canada Contribution (unaudited)**

| For the year ended December 31                 | Sport<br>Development  | Enhanced<br>Excellence | Total 2015            |
|--|-----------------------|------------------------|-----------------------|
| <b>Revenues</b>                                |                       |                        |                       |
| General administration                         | \$ 163,250            | \$ 18,500              | \$ 181,750            |
| Salaries, fees and benefits                    | 29,000                | 108,750                | 137,750               |
| Coaching salaries and professional development | 101,250               | 412,032                | 513,282               |
| National team program                          | 340,000               | 1,571,447              | 1,911,447             |
| Official Languages                             | 11,375                | -                      | 11,375                |
|  | <u>644,875</u>        | <u>2,110,729</u>       | <u>2,755,604</u>      |
| <b>Expenses</b>                                |                       |                        |                       |
| General administration                         | 1,489,254             | 177,039                | 1,666,293             |
| Governance                                     | 231,675               | -                      | 231,675               |
| Salaries, fees and benefits                    | 1,990,043             | 128,506                | 2,118,549             |
| Coaching salaries and professional development | 527,167               | 417,667                | 944,834               |
| National team program                          | 1,541,260             | 2,130,221              | 3,671,481             |
| Official languages                             | 14,449                | -                      | 14,449                |
| Operations and programming                     | 2,408,018             | -                      | 2,408,018             |
|  | <u>8,201,866</u>      | <u>2,853,433</u>       | <u>11,055,299</u>     |
| <b>Deficiency of revenues over expenses</b>    | <b>\$ (7,556,991)</b> | <b>\$ (742,704)</b>    | <b>\$ (8,299,695)</b> |



**Canadian Rugby Union - Fédération canadienne de Rugby**  
**Schedule 2 - National Teams (unaudited)**

For the year ended December 31

|                                  | NSMT           | NSM7's         | U20M         | AGM       | NSWT        | NSW7's         | AGW        | COE          | 2015           | 2014           |
|----------------------------------|----------------|----------------|--------------|-----------|-------------|----------------|------------|--------------|----------------|----------------|
| <b>Revenues</b>                  |                |                |              |           |             |                |            |              |                |                |
| Grant / donation                 | \$ -           | \$ 39,283      | \$ -         | \$ 10,459 | \$ 65,391   | \$ 212,975     | \$ 29,389  | \$ -         | \$ 357,497     | \$ 105,100     |
| Players                          | -              | -              | -            | 124,398   | 110,414     | 13,897         | 106,765    | -            | 355,474        | 134,333        |
| World Cup and Olympic            |                |                |              |           |             |                |            |              |                |                |
| Legacy Fund                      | 325,000        | -              | -            | -         | 63,000      | 100,000        | -          | -            | 488,000        | 249,000        |
| Sponsorship and other            | 217,531        | 100,921        | 11,817       | 9,320     | 15,085      | 30,779         | 4,495      | -            | 389,948        | 388,602        |
|                                  | 542,531        | 140,204        | 11,817       | 144,177   | 253,890     | 357,651        | 140,649    | -            | 1,590,919      | 877,035        |
| <b>Expenses</b>                  |                |                |              |           |             |                |            |              |                |                |
| Payroll & administration         | 759,001        | 432,183        | 4,000        | -         | 7,610       | 373,839        | -          | 19,849       | 1,596,482      | 1,672,007      |
| Program costs                    | 1,877,076      | 969,848        | 206,223      | 144,177   | 266,352     | 1,329,850      | 138,704    | 83,549       | 5,015,779      | 3,532,851      |
|                                  | 2,636,077      | 1,402,031      | 210,223      | 144,177   | 273,962     | 1,703,689      | 138,704    | 103,398      | 6,612,261      | 5,204,858      |
| <b>Excess (Shortfall)</b>        | \$ (2,093,546) | \$ (1,261,827) | \$ (198,406) | \$ -      | \$ (20,072) | \$ (1,346,038) | \$ 1,945   | \$ (103,398) | \$ (5,021,342) | \$ (4,327,823) |
| <b>Shortfall funding sources</b> |                |                |              |           |             |                |            |              |                |                |
| World Rugby Limited              | \$ 1,828,778   | \$ 208,315     | \$ 291,051   | \$ -      | \$ -        | \$ 159,814     | \$ -       | \$ 45,822    | \$ 2,533,780   | \$ 1,676,801   |
| Sport Canada                     | 502,621        | 743,066        | -            | -         | -           | 1,121,118      | -          | -            | 2,366,805      | 2,730,744      |
| Rugby Canada                     | (237,853)      | 310,446        | (92,645)     | -         | 20,072      | 65,106         | (1,945)    | 57,576       | 120,757        | (79,722)       |
|                                  | \$ 2,093,546   | \$ 1,261,827   | \$ 198,406   | \$ -      | \$ 20,072   | \$ 1,346,038   | \$ (1,945) | \$ 103,398   | \$ 5,021,342   | \$ 4,327,823   |

The full team names are as follows:

|        |   |
|--------|---|
| NSMT   | - Senior Men's Fifteen, includes HP Central |
| NSM7's | - Senior Men's Sevens                       |
| U20M   | - Under 20 Men                              |
| AGM    | - Age Grade Men                             |
| NSWT   | - Senior Women's Fifteen                    |
| NSW7's | - Senior Women's Sevens                     |
| AGW    | - Age Grade Women                           |
| COE    | - Centre of Excellence                      |