

BERMUDA FOOTBALL ASSOCIATION

Financial Statements

(With Independent Auditors' Report Thereon)

Year ended April 30, 2020

INDEPENDENT AUDITORS' REPORT

To the Members of the
Bermuda Football Association

Opinion

We have audited the financial statements of Bermuda Football Association, (the "Association") which comprises the balance sheet as at April 30, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, including a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at April 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations in Bermuda and Canada.

Basis for Opinion

We conducted our audit in accordance with generally accepted auditing standards in Bermuda and Canada ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bermuda and 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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

INDEPENDENT AUDITORS' REPORT (cont'd)

- 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 Association'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 Association'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 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Deloitte Ltd.

August 19, 2020

BERMUDA FOOTBALL ASSOCIATION

Balance Sheet

April 30, 2020

(Expressed in Bermuda Dollars)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 812,634	\$ 780,191
Accounts receivable	70,370	15,987
Inventory	18,203	-
Prepaid expenses	9,721	12,125
	<u>910,928</u>	<u>808,303</u>
Total current assets	910,928	808,303
Capital assets (Note 4)	1,629,206	1,652,269
	<u>1,629,206</u>	<u>1,652,269</u>
Total assets	\$ 2,540,134	\$ 2,460,572
	<u>\$ 2,540,134</u>	<u>\$ 2,460,572</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 and 12)	\$ 75,473	\$ 176,003
Deferred contributions (Note 5)	671,309	831,495
	<u>746,782</u>	<u>1,007,498</u>
Total current liabilities	746,782	1,007,498
Deferred capital contributions (Note 6)	650,292	677,028
	<u>650,292</u>	<u>677,028</u>
Total liabilities	1,397,074	1,684,526
	<u>1,397,074</u>	<u>1,684,526</u>
Net assets		
Unrestricted net assets	1,143,060	776,046
	<u>1,143,060</u>	<u>776,046</u>
Total liabilities and net assets	\$ 2,540,134	\$ 2,460,572
	<u>\$ 2,540,134</u>	<u>\$ 2,460,572</u>

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board



President



General Secretary



Treasurer

BERMUDA FOOTBALL ASSOCIATION

Statement of Operations

Year ended April 30, 2020
(Expressed in Bermuda Dollars)

	<u>2020</u>	<u>2019</u>
Revenues		
Restricted purpose grants and donations (Note 3)	\$ 1,990,708	\$ 1,408,817
Government grant (Note 3)	380,693	304,100
Cup competitions	313,359	160,318
Miscellaneous income	149,055	113,780
Sponsorships & donations	73,636	13,928
Membership fees	57,160	67,598
Registration fees	35,485	27,693
Tours	25,000	-
Interest income	2,139	1,205
Field rental	650	1,450
Total revenues	<u>3,027,885</u>	<u>2,098,889</u>
Operations expenses		
Overseas travel and competitions	902,707	509,900
International competitions in Bermuda	276,130	133,555
Contracts and honoraria	173,079	186,000
Referees	120,226	132,213
Field rental	66,960	29,518
Equipment and uniforms	56,759	105,857
Scholarships and education	55,620	56,857
Security	54,434	32,486
Training and seminars	46,948	88,651
Cost of jerseys sold	39,314	-
Advertising and website	33,471	16,329
Prizes – competitions and leagues	30,827	48,334
Hurricane fund, BFA field storage and maintenance	22,697	35,037
Tournaments and competitions	18,229	21,210
Other operating expenses	14,713	10,628
Trophies and medals	14,426	11,736
Youth leagues	3,900	4,725
Vehicles	1,411	3,902
Total operations expenses	<u>\$ 1,931,851</u>	<u>\$ 1,426,938</u>

The accompanying notes are an integral part of these financial statements

BERMUDA FOOTBALL ASSOCIATION

Statement of Operations (continued)

Year ended April 30, 2020
(Expressed in Bermuda Dollars)

	<u>2020</u>	<u>2019</u>
Administrative expenses		
Salaries, benefits and taxes (Notes 7 and 8)	\$ 495,731	\$ 423,283
Depreciation of capital assets	87,278	80,604
Professional services	39,691	49,545
Rent, utilities and maintenance	36,119	36,430
Office supplies and cleaning	17,513	18,908
Communications	18,570	17,575
Bank charges	13,122	7,150
Travel and meetings	6,788	5,659
Computer service and supplies	5,794	5,685
Miscellaneous	3,859	36,682
Subscriptions and memberships	2,445	4,296
Equipment maintenance	1,850	1,621
Bad debt expense	260	300
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Total administrative expenses	729,020	687,738
	<hr/>	<hr/>
Total expenses	2,660,871	2,114,676
	<hr/>	<hr/>
Excess/(deficiency) of revenues over expenses	\$ 367,014	\$ (15,787)
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The accompanying notes are an integral part of these financial statements

BERMUDA FOOTBALL ASSOCIATION

Statement of Changes in Net Assets

Year ended April 30, 2020
(Expressed in Bermuda Dollars)

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 776,046	\$ 791,833
Excess/(deficiency) of revenues over expenses	<u>367,014</u>	<u>(15,787)</u>
Balance at end of year	<u>\$ 1,143,060</u>	<u>\$ 776,046</u>

The accompanying notes are an integral part of these financial statements

BERMUDA FOOTBALL ASSOCIATION

Statement of Cash Flows

Year ended April 30, 2020

(Expressed in Bermuda Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Excess/(deficiency) of revenues over expenses	\$ 367,014	\$ (15,787)
Adjustments for:		
Depreciation of capital assets	87,278	80,604
Amortization of deferred capital contributions (Note 6)	(26,736)	(25,824)
Changes in non-cash working capital balances:		
Accounts receivable	(54,383)	(10,778)
Other current receivables	(18,203)	-
Prepaid expenses	2,403	9,933
Accounts payable and accrued liabilities	(100,530)	(38,424)
Deferred contributions	(160,185)	557,534
Deferred capital contributions	-	19,187
	<hr/>	<hr/>
Net cash provided by operating activities	96,658	576,445
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of capital assets	(64,215)	(46,050)
	<hr/>	<hr/>
Net cash used in investing activities	(64,215)	(46,050)
	<hr/>	<hr/>
Cash flows from financing activities		
Net repayment from utilization of bank overdraft	-	-
	<hr/>	<hr/>
Net cash used in financing activities	-	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	32,443	530,395
Cash and cash equivalents, beginning of year	780,191	249,796
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 812,634	\$ 780,191
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of the following:		
Restricted cash	\$ 553,967	\$ 705,328
Cash	258,667	74,863
	<hr/>	<hr/>
	\$ 812,634	\$ 780,191
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The accompanying notes are an integral part of these financial statements

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2020

(Expressed in Bermuda Dollars)

1. **Nature of operations**

The Bermuda Football Association (the “Association”) is a body corporate established by The Bermuda Football Association Act, 1970. The objects and purposes of the Association are to promote and encourage the game of football in Bermuda and to make, adopt and publish rules and regulations and bye-laws and conditions for the proper regulation of the game.

2. **Significant accounting policies**

The accompanying financial statements are prepared in accordance with the requirements of the Chartered Professional Accountants of Canada (“CPA Canada”) Handbook – Accounting Part III: Accounting Standards for Not-for-Profit Organizations (“ASNFPO”) and include the following significant accounting policies:

(a) Basis of preparation and going concern

The financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada for not-for-profit organizations.

The financial statements are presented on a going concern basis which assumes that the Association will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As explained in Note 3, the Association is dependent on funding from the Government of Bermuda, The Fédération Internationale de Football Association (“FIFA”) and Confederation of North, Central American and Caribbean Association Football (“Concacaf”). The Association regularly reviews and monitors its expenditure and revenues against budget and looks to make reductions in cost or increase its revenues from donations and other sources in order to meet its mandates. These ongoing reviews include current and future business opportunities, customer and supplier relationships and forecasts of cash requirements and balances. Based on these evaluations, management considers that the Association is able to continue as a going concern. Accordingly, these financial statements do not reflect any adjustments to the carrying value or classification of the Association’s assets and liabilities that would be necessary if the going concern assumption was not appropriate. Such adjustments would be material to these financial statements.

(b) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions. Grant funds utilized for capital asset purchases are deferred and recognized as revenue on the same basis as the depreciation expense related to the acquired capital asset. Capital contributions approved but not yet received are recorded as due from the recipient donor. All other income is recognised as revenue when earned.

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2020

(Expressed in Bermuda Dollars)

2. Significant accounting policies (continued)

(c) Capital assets

Capital assets are recorded at cost less accumulated depreciation and impairment write-downs. Assets are depreciated on a straight-line basis over their estimated useful economic lives as follows:

Accounting software	3 years
Leasehold improvements	3 years
Website and equipment	3 years
Furniture and equipment	5 years
Office equipment	5 years
Other capital assets	2 - 5 years
Vehicles	7 years
Football turf field	8 years
Field improvements	30 years
Buildings	30 years

No depreciation is provided on construction in progress until the assets are brought into use.

(d) Cash and cash equivalents

The Association considers all cash on hand and deposits with financial institutions that can be withdrawn without prior notice or penalty as equivalent to cash. Restricted cash relates to the amount restricted externally by legal or contractual requirements for specific football-related projects.

(e) Inventory

Inventory consists of replica football jerseys purchased for subsequent donation or sale. Inventory is valued at the lower of cost or net realizable value as determined using the weighted average cost method.

(f) Donated goods and contributed services

Donated goods and contributed services are recorded as revenues when a fair value can be reasonably estimated and when the goods and services would otherwise have been purchased or incurred.

Volunteers contribute time to assist the Association in carrying out its activities. Contributed services are not recognized in the financial statements due to the difficulty in determining their fair value.

(g) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues earned and expenses incurred during the year. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the year of revision and future years, where applicable.

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2020

(Expressed in Bermuda Dollars)

2. **Significant accounting policies** (continued)

(h) Foreign currencies

Transactions denominated in foreign currencies have been converted to Bermuda dollars at the appropriate prevailing rate of exchange at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Bermuda dollars at the rates of exchange prevailing at the year-end date. Resulting gains or losses are recorded in the statement of operations.

(i) Financial instruments

Financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities.

Accounts receivable are measured at amortized cost using the effective interest method, less any adjustment for impairment.

Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method.

Financial assets are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

3. **Economic dependence**

The Association is economically dependent upon contributions from the Government of Bermuda, FIFA and its affiliates, and other corporate sponsors for its daily operations, cash flow, development and capital acquisitions.

The Government of Bermuda through the Ministry of Community, Culture and Sports provided the Association with \$380,693 during the 2020 fiscal year. (2019 - \$304,100). The Association must comply with certain terms and conditions in order for the funding to be released.

During the year, FIFA provided the Association with funding of \$1,501,834 (2019 - \$1,560,862) which is included in restricted purpose grants and donations in accordance with the Association's revenue recognition accounting policy (Note 2(b)).

During the year, Concacaf provided the Association with funding of \$425,274 (2019 – \$337,000).

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2020

(Expressed in Bermuda Dollars)

4. Capital assets

	2020		2019	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Football turf field	\$ 1,104,134	\$ 1,104,134	\$ -	\$ -
Field improvements	773,234	447,096	326,138	343,193
Buildings	1,375,630	161,709	1,213,921	1,259,776
Vehicles	28,185	13,568	14,617	17,358
Office equipment	198,108	191,756	6,352	4,724
Website and equipment	45,628	44,935	693	-
Leasehold improvements	37,091	28,701	8,390	8,682
Other capital assets	84,194	32,155	52,039	4,140
Furniture and equipment	137,495	135,343	2,151	12,708
Accounting software	19,371	14,466	4,905	1,688
	<u>\$ 3,803,070</u>	<u>\$ 2,173,863</u>	<u>\$ 1,629,206</u>	<u>\$ 1,652,269</u>

5. Deferred contributions

Deferred contributions represent unspent resources externally restricted by the provisions of FIFA, the Department of Youth, Sport and Recreation, Concacaf and other donors.

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 831,495	\$ 273,961
Add: contributions received	1,970,880	1,897,861
Less: amounts recognized as revenue	(2,131,066)	(1,340,327)
Ending balance	<u>\$ 671,309</u>	<u>\$ 831,495</u>

6. Deferred capital contributions

Deferred capital contributions represent contributions restricted for use in football development projects. The contributions are amortized to revenue on the same basis as the depreciation expense of the acquired capital assets. Changes in the deferred capital contributions balance are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 677,028	\$ 683,667
Add: contributions received	-	19,185
Less: amounts amortized to revenue	(26,736)	(25,824)
Ending balance	<u>\$ 650,292</u>	<u>\$ 677,028</u>

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2020

(Expressed in Bermuda Dollars)

7. Employee benefits

(a) Pension plan

The Association has a defined contribution pension plan. Employee contributions to the plan are 5% of gross salary, which is matched by the Association. The pension expense to the Association for the year, included in salaries, benefits and taxes is \$18,350 (2019 - \$16,802).

(b) Other benefits

Other employee benefits include maternity leave, sick leave and vacation days. All of these benefits are unfunded.

Maternity leave and sick leave costs do not accumulate or vest and therefore an expense and liability are only recognized when applied for and approved. There were no maternity benefits or extended sick leave applied for or approved during the current year and therefore, no liabilities have been accrued.

Vacation days accumulate and vest and a liability has been accrued at year end. The accrued vacation liability as at April 30, 2020 has been estimated at \$18,836 (2019 - \$12,712) and is included in accounts payable and accrued liabilities.

8. Salary and benefits

The total amount of salaries and benefits has been allocated between operating and administrative activities. Operating activities are those activities that directly relate to the playing of football. Administrative activities are those activities that related to the functions that support the provision of football. The following table shows how the salaries and benefits have been allocated in 2020 and 2019:

	<u>Operations</u>	<u>Administrative</u>
General Secretary	–	100%
Financial Controller	–	100%
Administrative Assistant – Player Development	–	100%
Administrative Assistant – Leagues	–	100%
Groundsman	–	100%

9. Commitments

The Association entered into a \$50,000 overdraft agreement with HSBC Bank Bermuda Limited (“HSBC”) on May 13, 2019 for working capital. This overdraft facility is unsecured and payable on demand. Interest rate is fixed at 7.5 percentage points above the base rate set by HSBC on its Bermuda Dollar overdrafts. As at April 30, 2020, the overdraft facility was not utilized and the Association did not renew its overdraft agreement.

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2020

(Expressed in Bermuda Dollars)

10. **Capital management**

The Association's objective when managing capital is to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events. The Association seeks to achieve this objective through receipt of grants from the Government of Bermuda, FIFA, Concacaf, contributions from sponsors, and by running its operations to provide an excess of revenues over expenses. The Association maintains sufficient liquidity to meet its short-term obligations as they become due. The Association is not subject to any externally imposed capital requirements.

11. **Financial risk management**

The Association has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Executive Committee has overall responsibility for the establishment and oversight of the Association's risk management framework. The Association's risk management program seeks to minimize potential adverse effects on the Association's financial performance. The Association manages its risks and risk exposures through a combination of insurance and sound business practices.

(a) Credit risk

Credit risk arises from cash and cash equivalents held with banks, and accounts and other receivable balances. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Association assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Cash and cash equivalents consist of cash on hand and current bank accounts. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

Accounts receivable consist primarily of receivables from billing for annual membership fees. The Association's credit risk arises from the possibility that a counterparty which owes the Association money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Association, which would result in a financial loss for the Association. The risk is mitigated through established credit management techniques, including monitoring counterparty creditworthiness. The maximum credit risk to which the Association is exposed is represented by the carrying value of its accounts receivable, which are stated net of an allowance for doubtful accounts of \$1,000 (2019 - \$1,000). Accounts receivable totaling \$260 (2019 - \$300) were written off during the year.

(b) Liquidity risk

Liquidity risk is the risk the Association will not be able to meet its financial obligations as they fall due. The Association's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Association's reputation. The Association manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on accounts receivable collection, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2020

(Expressed in Bermuda Dollars)

11. **Financial risk management** (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Association. The Association has minimal exposure to market risk.

(d) Foreign exchange

The Association's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

12. **Government remittances payable**

Included in accounts payable and accrued liabilities are government remittances payable of \$7,578 (2019 - \$7,814).

13. **Related party transactions**

Included in expenses is \$300 (2019 - \$nil) paid to Kingmagical Entertainment. The entity is affiliated to Kingmagical Entertainment as its owner is also a member of the Association's Executive Council.

Included in expenses is \$nil (2019 - \$144) paid to Customize It for uniform customizations. The entity is affiliated as a director of Customize It is also a member of the Associations' Executive Council.

Included in expenses is \$nil (2019 - \$325) paid to Castle Masters for fun castle rental. The entity is affiliated Castle Masters is owned by the family of a member of the Associations' Executive Council.

During the year, the Association paid \$nil (2019 - \$1,200) to the spouse of a member of the Associations' Executive Council for accommodation rental services.

All transactions with related parties are recorded at arm's length.