

BERMUDA FOOTBALL ASSOCIATION

Financial Statements

(With Independent Auditors' Report Thereon)

Year ended April 30, 2021

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, 2021, 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, 2021, 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 16, 2021

BERMUDA FOOTBALL ASSOCIATION

Balance Sheet

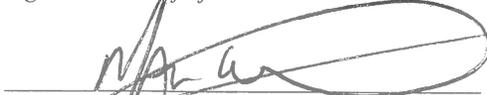
April 30, 2021

(Expressed in Bermuda Dollars)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,583,095	\$ 812,634
Accounts receivable	276	70,370
Inventory	16,399	18,203
Prepaid expenses	17,839	9,721
	<hr/>	<hr/>
Total current assets	2,617,609	910,928
Capital assets (Note 4)	1,563,624	1,629,206
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Total assets	\$ 4,181,233	\$ 2,540,134
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 and 12)	\$ 73,844	\$ 75,473
Deferred contributions (Note 5)	2,338,713	671,309
	<hr/>	<hr/>
Total current liabilities	2,412,557	746,782
Deferred capital contributions (Note 6)	637,279	650,292
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Total liabilities	3,049,836	1,397,074
	<hr/> <hr/>	<hr/> <hr/>
Net assets		
Unrestricted net assets	1,131,397	1,143,060
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Total liabilities and net assets	\$ 4,181,233	\$ 2,540,134
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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, 2021
(Expressed in Bermuda Dollars)

	<u>2021</u>	<u>2020</u>
Revenues		
Restricted purpose grants and donations (Note 3)	\$ 1,711,678	\$ 1,990,708
Government grant (Note 3)	175,301	380,693
Cup competitions	41,344	313,359
Registration fees	39,705	35,485
Sponsorships & donations	33,097	73,636
Miscellaneous income	30,770	149,055
Field rental	2,425	650
Interest income	20	2,139
Membership fees	-	57,160
Tours	-	25,000
Total revenues	<u>2,034,340</u>	<u>3,027,885</u>
Operations expenses		
Overseas travel and competitions	445,550	902,707
Assistance to clubs	226,659	-
Contracts and honoraria	178,725	173,079
Equipment and uniforms	109,733	56,759
Referees	74,849	120,226
Scholarships and education	40,478	55,620
Field rental	36,576	66,960
Advertising and website	25,313	33,471
BFA field, storage and maintenance	24,080	22,697
Security	21,571	54,434
Prizes – competitions and leagues	13,594	30,827
Tournaments and competitions	10,168	18,229
Trophies and medals	8,236	14,426
Other operating expenses	4,315	14,713
Vehicles	3,232	1,411
Cost of jerseys sold	2,833	39,314
Youth leagues	2,615	3,900
Training and seminars	338	46,948
International competitions in Bermuda	-	276,130
Total operations expenses	<u>\$ 1,228,865</u>	<u>\$ 1,931,851</u>

The accompanying notes are an integral part of these financial statements

BERMUDA FOOTBALL ASSOCIATION

Statement of Operations (continued)

Year ended April 30, 2021
(Expressed in Bermuda Dollars)

	<u>2021</u>	<u>2020</u>
Administrative expenses		
Salaries, benefits and taxes (Notes 7 and 8)	\$ 605,478	\$ 495,731
Depreciation of capital assets	87,031	87,278
Professional services	37,419	39,691
Rent, utilities and maintenance	26,715	36,119
Office supplies and cleaning	11,293	17,513
Communications	11,491	18,570
Miscellaneous	11,358	3,859
Travel and meetings	8,265	6,788
Computer service and supplies	7,963	5,794
Bank charges	6,382	13,122
Subscriptions and memberships	2,948	2,445
Equipment maintenance	795	1,850
Bad debt expense	-	260
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Total administrative expenses	817,138	729,020
	<hr/>	<hr/>
Total expenses	2,046,003	2,660,871
	<hr/>	<hr/>
(Deficiency)/ excess of revenues over expenses	\$ (11,663)	\$ 367,014
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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, 2021
(Expressed in Bermuda Dollars)

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 1,143,060	\$ 776,046
(Deficiency)/ excess of revenues over expenses	<u>(11,663)</u>	<u>367,014</u>
Balance at end of year	<u>\$ 1,131,397</u>	<u>\$ 1,143,060</u>

The accompanying notes are an integral part of these financial statements

BERMUDA FOOTBALL ASSOCIATION

Statement of Cash Flows

Year ended April 30, 2021

(Expressed in Bermuda Dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
(Deficiency)/ excess of revenues over expenses	\$ (11,663)	\$ 367,014
Adjustments for:		
Depreciation of capital assets	87,031	87,278
Amortization of deferred capital contributions (Note 6)	(29,150)	(26,736)
Changes in non-cash working capital balances:		
Accounts receivable	70,094	(54,383)
Inventory	1,804	(18,203)
Prepaid expenses	(8,118)	2,403
Accounts payable and accrued liabilities	(1,629)	(100,530)
Deferred contributions	1,667,404	(160,185)
Deferred capital contributions	16,137	-
	<hr/>	<hr/>
Net cash provided by operating activities	1,791,910	96,658
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of capital assets	(21,449)	(64,215)
	<hr/>	<hr/>
Net cash used in investing activities	(21,449)	(64,215)
	<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	1,770,461	32,443
Cash and cash equivalents, beginning of year	812,634	780,191
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 2,583,095	\$ 812,634
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents consist of the following:		
Restricted cash	\$ 2,206,817	\$ 553,967
Cash	376,278	258,667
	<hr/>	<hr/>
	\$ 2,583,095	\$ 812,634
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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, 2021

(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 International 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, 2021

(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:

Leasehold improvements	3 years
Website and equipment	3 years
Accounting software	5 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 sale or donation. 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, 2021

(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 Youth, Culture and Sport provided the Association with a grant of \$150,000 during the 2021 fiscal year. (2020 - \$380,693). 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 \$3,000,000 (2020 - \$1,501,834), a portion of which is included in restricted purpose grants and donations in accordance with the Association's revenue recognition accounting policy (Note 2(b)). The remaining balance is included in deferred contributions.

During the year, Concacaf provided the Association with funding of \$331,250 (2020 - \$425,274), a portion of which is included in restricted purpose grants and donations in accordance with the Association's revenue recognition accounting policy (Note 2(b)). The remaining balance is included in deferred contributions.

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2021

(Expressed in Bermuda Dollars)

4. Capital assets

	2021		2020	
	<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	464,154	309,080	326,138
Buildings	1,375,630	207,563	1,168,067	1,213,921
Vehicles	28,185	16,308	11,877	14,617
Office equipment	202,068	196,037	6,031	6,352
Website and equipment	45,628	45,282	346	693
Leasehold improvements	37,091	28,993	8,098	8,390
Other capital assets	84,194	44,274	39,920	52,039
Furniture and equipment	137,495	137,495	-	2,151
Accounting software	28,131	16,656	11,475	4,905
Construction in progress	8,730	-	8,730	-
	<u>\$ 3,824,520</u>	<u>\$ 2,260,896</u>	<u>\$ 1,563,624</u>	<u>\$ 1,629,206</u>

Construction in progress relates to planning and other costs incurred directly by the Association for renovations to the lower level of the BFA headquarters and installation of perimeter fencing at the BFA field. The Association has no capital commitments with respect to construction in progress.

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>2021</u>	<u>2020</u>
Beginning balance	\$ 671,309	\$ 831,495
Add: contributions received	3,481,250	1,970,880
Less: amounts recognized as revenue	(1,813,846)	(2,131,066)
Ending balance	<u>\$ 2,338,713</u>	<u>\$ 671,309</u>

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2021

(Expressed in Bermuda Dollars)

6. Deferred capital contributions

Deferred capital contributions represent the unamortized asset amounts and unspent amounts of contributions received to purchase capital assets. 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>2021</u>	<u>2020</u>
Beginning balance	\$ 650,292	\$ 677,028
Add: contributions received	16,137	-
Less: amounts amortized to revenue	(29,150)	(26,736)
Ending balance	<u>\$ 637,279</u>	<u>\$ 650,292</u>

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 \$22,719 (2020 - \$18,350).

(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, 2021 has been estimated at \$24,585 (2020 - \$18,836) 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 2021 and 2020:

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

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2021

(Expressed in Bermuda Dollars)

9. **Commitments**

The Association entered into a \$50,000 overdraft agreement with HSBC Bank Bermuda Limited (“HSBC”) on May 13, 2020 for working capital. This overdraft facility was unsecured and payable on demand. Interest rate was fixed at 7.5 percentage points above the base rate set by HSBC on its Bermuda Dollar overdrafts. During the year ended April 30, 2021, the overdraft facility was not utilized and the Association did not renew its overdraft agreement.

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 Council 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 \$nil (2020 - \$1,000). Accounts receivable totaling \$nil (2020 - \$260) were written off during the year.

BERMUDA FOOTBALL ASSOCIATION

Notes to the Financial Statements

April 30, 2021

(Expressed in Bermuda Dollars)

11. Financial risk management (continued)

(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.

(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 \$7,632 (2020 - \$7,578).

13. Related party transactions

Included in expenses is \$3,000 (2020 - \$nil) paid to Compu-CAD for its project management services provided to the Association. The entity is affiliated as one of Compu-CAD's owners is also a member of the Association's Executive Council.

During the year, the Association paid \$500 (2020 - \$nil) to a family member of a member of the Association's Executive Council for administrative services.

During the year, the Association paid \$1,800 (2020 - \$nil) to a family member of a member of the Association's Executive Council for accommodation rental services.

Included in expenses is \$nil (2020 - \$300) paid to Kingmagical Entertainment. The entity is affiliated to Kingmagical Entertainment as its owner is also a member of the Association's Executive Council.

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