

Treasurer's Report 2022

Presented by David Midgley, VULS Treasurer

This past year has been busy on the finance side with several improvements to our system and key changes to how we report our financial results. At the 2019 AGM, the membership approved the expenditure of \$30,000 from the Capital Fund to improve the financial systems and processes, and these changes came to fruition this past year. Through the efforts of Diane St-Denis, Kurtis Stewart, and external support from the Tandem Innovation Group, we were able to implement systems and processes that should prove to be more robust, timely, and accurate than ever before. Additionally, these three groups being relatively new to the VULS were able to provide fresh perspectives on what we could be doing better. Here are some of the key changes from this effort and a more holistic view of our financials.

Changes to Accounting Policies and Corrections

These changes are strictly related to the accounting methodology and have no impact on the actual operations of the organization which continue to operate the same way they have for years. Although some of these changes appear to decrease the perceived performance, the VULS is in a better financial position than it has been in the last few years as operations return to normal. The changes made are an attempt to increase accuracy by addressing the timing issue that's existed up to this point.

Deferral Method for League Fees and Field Costs - Policy Change

Under our previous reporting practices, we reported cash from leagues and field costs as revenues and expenses when the cash changed hands. In our previous experience, the revenue and expense associated with these programs were reasonably assured as we hadn't experienced anything that required us to cancel an entire season post-registration. However, this concept was challenged by the COVID-19 pandemic over the last couple of years, where we were unable to operate as hoped, leading to the VUL returning funds to members and receiving returned funds from the city. As such, we have deemed that the transfer of cash does not necessarily indicate that revenue is reasonably assured and therefore cannot be recognized as revenue when cash is received.

For most seasons, this doesn't create an accounting issue. However, the fall leagues and programs are directly impacted as we collect most of our registration fees for the fall league in September (at the end of our fiscal year) and the league play and programs take place almost entirely in the next fiscal year. This meant that under our previous reporting we were essentially capturing the fall revenue and field expenses in the fiscal year prior to the period in which the league or programs were running.

More accurately, we should only recognize revenue as the season progresses. Similarly, we should only recognize the field expenses as we use the fields.

The implications of this on the financial statements are as follows;

1. Cash collected is recognized as a liability (Deferred Revenue) until the league games are played or the program is delivered. At this time, we will recognize the revenue and reduce that liability.
2. Cash paid for fields will be recognized as an asset (Prepaid Expenses) until the fields are used and the expense is recorded, reducing the asset at that point.

As the adult fall leagues are typically surplus-generating programs, the result is a comparable reduction in expenses and a much larger reduction in revenue. Under normal circumstances, this wouldn't mean too much as the fall programs are typically similar in size year over year. As we recover from the pandemic, these differences are more pronounced as the surplus we're pushing out into the 2023 fiscal year is greater than the surplus we're pulling into 2022 from the previous year leaving us with lower than previously reported Net Unrestricted Assets.

For the sake of comparison, we are currently reporting a deficit of \$27.8k and Unrestricted Net Assets of (\$30.9k). If we were to have kept the accounting policies consistent year over year, we would be reporting a surplus of \$10.3k and an Unrestricted Net Asset balance of \$163.5k.

CEBA Loan - Correction

Firstly, a correction of our previous period's accounting of the Canadian Emergency Business Account loan we received during the pandemic. If you recall, this is a loan provided by the government to assist organizations through the pandemic. The terms of the loan are such that if the balance is repaid prior to December 31, 2023, a portion of it will be forgiven. Our previous accounting methodology was to record the full amount of the loan as a liability (\$60,000) expecting to record a gain on the forgivable amount when we repaid the loan. Since then, guidance has come out about pandemic relief stating that the benefit of loan should have been recognized at inception rather than at repayment. As such, we have restated the 2021 comparable numbers in this set of financial statements to reduce the long term debt by the forgivable amount and recorded the associated gain into income. The result is a long term loan balance of \$40,000 and an increase in income of \$20,000 for 2021.

Sponsorships and Donations - Policy Change

We are now recording the gift in kind (GIK) received from our partners as income and recognizing the appropriate assets on the balance sheet under Prepaid Assets. An example would be gift cards received from sponsors to be given out as prizes. The assets will sit on the balance sheet until the gift card is given out and the expense is recognized to the appropriate program.

Other Changes to the Financial Statements

Standards for Compilation Engagements

You might notice that the notes to the financial information within the financial statements have changed year over year. The VULS has the financial statements compiled with the help

of qualified accountants. Over the past year, the standards for what's permitted to be reported in compilation engagements has changed, reducing some of our ability to share information directly within the notes of the financial statements themselves. As such, any notes formerly presented in the financial statements that are not in the current statements will be communicated here in the Treasurer's Report should they still be relevant.

Year over Year Changes to Specific Accounts

Balance Sheet

Prepaid Expenses

As discussed previously, the Prepaid Expenses account now contains newly recorded assets including gift in kind and the prepayment of field expenses associated with the fall leagues. Viewing this change using consistent methodology, the year over year increase is primarily due to increased fall programming and a less impactful increase in gifts in kind from our sponsors.

Property, Plant and Equipment

The decision was made to write off the remainder of the property, plant and equipment this year as the assets in question had almost completely depreciated. As these purchases were made many years ago, the majority of these assets are either not in use or have become obsolete over the course of time. With a book cost of \$8.2k and an accumulated depreciation of \$7.9k, the total amount written off is \$315.

Accounts Payables and Accruals

The increase in accounts payable and accrued liabilities is related to several items, all associated with the timing of expenses related to when the cash payments were made to settle the balance owed. The main contributors include payments made subsequent to year end for payroll, Ultimate Canada memberships, insurance, and GST/PST payable.

Deferred Revenue

Prior to the change above, Deferred Revenue related solely to credits owed to members for league fees paid during the pandemic that were neither utilized nor refunded. With the change previously mentioned, the Deferred Revenue balance now includes the league fees received for programs to run in fiscal 2023.

Over the course of the year, the member credits reduced by \$11k (from \$17k to \$6k) through the utilization or donation of these credits by our members.

The rest of the balance in Deferred Revenue relates to the receipt of league fees prior to the end of the fiscal year. This equates to liability of \$230k for 2022 and \$189k in 2021.

BC Amateur Sport Fund

The BC Amateur Sport Fund has been separated from the other restricted assets on the balance as it follows different guidelines for use. The capital fund requires membership to vote for the allocation and use of the funds whereas the BC Amateur Sport Fund is restricted to youth programs.

Income Statement

League Fees

2022 saw a return to normal programming in the wake of the COVID-19 pandemic and the society's revenues are exceeding our pre-pandemic levels as a result. For the purpose of a more useful comparison, there is a table outlining the differences in program revenue between select 2022 results and their pre-pandemic comparisons from 2019;

| Program <i>\$ in 000's</i> | 2022 | 2019 | Difference |
|--------------------------------------|-------------|-------------|-------------------|
| Adult Summer | \$345 | \$285 | \$60 |
| Adult Fall | 169 | 124 | 45 |
| Adult Winter | 137 | 124 | 13 |
| Youth Clubs | 477 | 380 | 97 |
| Regional (Burnaby, New West) | 36 | 20 | 16 |
| Total | 1,164 | 933 | 231 |

Within the League Fees line item, there are some additional differences to be aware of starting with non-club Youth Programming. The revenue from these programs has decreased year over year as more of this activity is captured within the club programming. Additionally, the decrease in VULS Membership fees \$65k to \$3k is an administrative issue. When the financial process was set up there was no distinction created between the programs and the membership fees so the membership fees for 2022 are mostly embedded in the program revenues for this period. This has been addressed going forward and future years will distinctly separate membership fees from the league revenue in order to be reported separately.

Sponsorships and Donations

As mentioned previously, the recognition of gifts in kind is recorded as revenue and significant increase in Sponsorships and Donations is mostly due to this change.

Subsidies and Grants

In the past 2 years, the majority of Subsidies and Grants have come from government assistance for navigating the COVID-19 pandemic through things like the Canadian Emergency Wage Subsidy program. As these programs ended and the VULS programming normalized, these have been replaced with operational grants such as the Canada Summer Jobs wage subsidy.

Administrative Expenses

Administrative expenses increased year over year primarily due to increased operations. This includes our insurance, merchant's fees, software costs, storage facility, etc.

Personnel and Training

The Personnel and Training account has undergone some significant changes. The largest contributing factor is the reclassification of youth and club employees within this account. These costs were previously captured in the 'Events and Other Services' expense per our old financial process. We have corrected this to capture all salaries and wages paid by the VUL within this line.

This year there was a slight increase in personnel expenses related to VULS management as there was a three month overlap between Kurtis Stewart, the Operations Manager, and Diane St-Denis, Executive Director, as Diane was onboarding.

Professional Fees

Professional Fees increased year over year primarily due to the financial accounting system change. The \$30k approved by membership at the 2019 AGM and deployed to improve the financial system update is captured here along with monthly bookkeeping costs.

Program Expenses

As leagues and programs return, Program Expenses have increased as a result. The disproportionate increase in Programming Expense related to league revenue is due to the relative increase in youth club programs as these are typically much more cost intensive than Adult Leagues.