

Canadian Rugby Union - Fédération canadienne de Rugby
Non-Consolidated Financial Statements
For the year ended December 31, 2017

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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, 2017, 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, 2017, 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.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to Note 2 in the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Union's ability to continue as a going concern.

Supplementary Financial Information

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

BDO Canada LLP

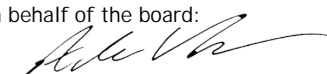
Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
May 10, 2018

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

December 31	2017	2016
Assets		
Current		
Cash	\$ 310,465	\$ 294,673
Cash - restricted (Note 10)	228,990	327,230
Temporary investments (Note 3)	170,792	170,792
Accounts receivable	1,116,390	633,887
Grants receivable	107,015	279,190
Inventories (Note 4)	341,935	397,429
Prepaid expenses	313,275	203,829
Deposit	-	100,000
	2,588,862	2,407,030
Investments in controlled organizations (Note 14)	296,467	284,531
Tangible capital assets and leased tangible capital assets (Note 5)	8,312,602	405,846
Due from controlled organizations (Note 14)	5,526	312,448
	\$ 11,203,457	\$ 3,409,855
Liabilities and Net Deficiency		
Current		
Bank overdraft and line of credit (Note 6)	\$ -	\$ 115,836
Accounts payable and accrued liabilities (Note 7)	1,480,159	1,234,179
Deferred fees and contributions (Note 9)	2,282,787	2,299,068
Construction costs payable (Note 8)	1,043,320	-
Current portion of obligations under capital leases (Note 8)	122,339	-
	4,928,605	3,649,083
Long-term debt (Note 8)	1,000,000	-
Obligations under capital leases (Note 8)	1,926,793	-
Deferred contributions related to leased tangible capital assets (Note 10)	3,747,999	-
Due to controlled organizations (Note 14)	312,044	69,783
Deferred lease inducement (Note 11)	96,814	110,645
	12,012,255	3,829,511
Contractual obligations (Note 12)		
Contingencies (Note 13)		
Going concern (Note 2)		
Net Deficiency		
Internally restricted (Note 18)	48,721	18,721
Unrestricted	(857,519)	(438,377)
	(808,798)	(419,656)
		3,409,855
	\$ 11,203,457	\$

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 Restricted	2017	2016
Balance, beginning of the year	\$ (438,377)	\$ 18,721	\$ (419,656)	\$ (473,068)
(Deficiency) excess of revenues over expenses	(419,142)	30,000	(389,142)	53,412
Balance, end of the year	\$ (857,519)	\$ 48,721	\$ (808,798)	\$ (419,656)

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

For the year ended December 31	2017	2016
Revenues		
External Funding		
World Rugby Limited	\$ 2,213,444	\$ 2,122,719
Sport Canada	2,309,270	2,965,999
	<u>4,522,714</u>	<u>5,088,718</u>
Membership		
National insurance	702,914	701,124
National registration	979,691	952,546
	<u>1,682,605</u>	<u>1,653,670</u>
Rugby Canada		
Sponsorships	1,761,686	1,609,175
Fundraising	454,434	329,541
Donations	652,227	729,856
Domestic competitions	184,736	301,912
International events	2,053,801	1,311,131
National teams	2,528,074	1,897,341
Development - coaching and refereeing	48,452	156,856
Sales of merchandise	916,068	715,540
Rebate	-	24,946
Other income	220,851	209,858
	<u>8,820,329</u>	<u>7,286,156</u>
Other		
Revenue from controlled organizations (Note 14)	1,195,104	1,120,867
	<u>16,220,752</u>	<u>15,149,411</u>
Expenses		
Accounting, legal and professional fees	122,513	160,765
Amortization of tangible capital assets and leased tangible capital assets	105,127	114,614
Bad debts	-	26,073
Board of directors and planning meetings	253,747	220,187
Domestic competitions	591,033	591,525
Donations	326,140	470,066
Exchange loss	4,146	18,320
Fundraising	274,276	166,621
Center of Excellence	145,621	140,057
International events	1,451,762	1,210,887
National insurance	574,816	806,646
National office and general administration	760,994	897,671
National registration (recovery)	(2,000)	15,135
National teams (Note 4)	8,458,053	7,018,037
Marketing	401,360	462,508
Program development	478,431	621,756
Purchase of merchandise items (Note 4)	649,886	399,445
Short-term interest and bank charges	142,316	130,337
Staff salaries, benefits and commissions	1,620,361	1,625,349
	<u>16,358,582</u>	<u>15,095,999</u>
(Deficiency) excess of revenues over expenses before non-recurring expenses	(137,830)	53,412
Non-recurring expenses		
Severance pay and restructuring costs	196,382	-
U19M/U20W/SrW Travel Cost Share miscalculation	54,930	-
	<u>(251,312)</u>	<u>-</u>
(Deficiency) excess of revenues over expenses	\$ (389,142)	\$ 53,412

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	2017	2016
Cash flows from operating activities		
Cash receipts from funders, members, clients and donors	\$ 15,497,957	\$ 14,618,927
Cash paid to suppliers and employees	(16,197,838)	(14,763,668)
Short-term interest and bank charges paid	(142,316)	(130,337)
Cash receipts from controlled organizations	1,183,168	836,634
	340,971	561,556
Cash flows from investing activities		
Acquisition of tangible capital assets	(899,431)	(74,843)
Proceeds on disposal of tangible capital assets	2,000	-
Decrease (increase) in cash - restricted	98,240	(58,773)
Repayments from (advances to) controlled organizations	306,922	(253,813)
	(492,269)	(387,429)
Cash flows from financing activities		
Repayment of obligations under capital leases	-	(16,627)
Advances from controlled organizations	242,261	66,846
Decrease of bank overdraft and line of credit	(115,836)	(155,773)
	126,425	(105,554)
Other activity		
Foreign exchange gain on cash held in foreign currency	40,665	90,653
Net increase in cash	15,792	159,226
Cash, beginning of the year	294,673	135,447
Cash, end of year	\$ 310,465	\$ 294,673

Canadian Rugby Union - Fédération canadienne de Rugby

Notes to Non-Consolidated Financial Statements

December 31, 2017

1. Accounting Policies

Status and Purpose of Organization	Canadian Rugby Union - Fédération canadienne de Rugby (the Union) is a not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act. The Union's purpose is the development and promotion of the sport of rugby. The Union is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.
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 income and losses of the controlled organizations computed by the consolidation method. Information regarding these controlled organizations is presented in Note 14.
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, the estimated useful lives of tangible capital assets and leased tangible capital assets and accrued liabilities.
Revenue Recognition	<p>The Union follows the deferral method of accounting for external funding. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>National insurance and national registration are recognized as revenue proportionately over the year to which they relate.</p> <p>International events, domestic competitions, sponsorships and other income are recognized when the event occurs.</p> <p>Revenue from sales of merchandise is recognized when the goods have been transferred and collection is reasonable assured.</p>

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

December 31, 2017

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	<p><u>Initial and subsequent measurement</u> The Union initially measures its financial assets and liabilities at fair value. The Union subsequently measures all its financial assets and financial liabilities at amortized cost.</p> <p><u>Impairment</u> Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment.</p> <p><u>Transaction costs</u> Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the non-consolidated statement of operations over the life of the instrument using the straight-line method.</p>																
Tangible Capital Assets	<p>Tangible capital assets are accounted for at cost and amortized on the basis of their useful lives using the following methods and annual rates or period:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Computers</td> <td>30% diminishing balance basis</td> </tr> <tr> <td>Donated rugby equipment</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Office equipment</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Office furniture</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Software</td> <td>30% diminishing balance basis</td> </tr> <tr> <td>Leased software</td> <td>20% diminishing balance basis</td> </tr> <tr> <td>Vehicle</td> <td>30% diminishing balance basis</td> </tr> <tr> <td>Leasehold improvements</td> <td>straight-line basis over the term of the lease</td> </tr> </table>	Computers	30% diminishing balance basis	Donated rugby equipment	20% diminishing balance basis	Office equipment	20% diminishing balance basis	Office furniture	20% diminishing balance basis	Software	30% diminishing balance basis	Leased software	20% diminishing balance basis	Vehicle	30% diminishing balance basis	Leasehold improvements	straight-line basis over the term of the lease
Computers	30% diminishing balance basis																
Donated rugby equipment	20% diminishing balance basis																
Office equipment	20% diminishing balance basis																
Office furniture	20% diminishing balance basis																
Software	30% diminishing balance basis																
Leased software	20% 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.																
Deferred Lease Inducement	The lease inducement, which is recorded as other income, is deferred and amortized over the term of the lease.																

Canadian Rugby Union - Fédération canadienne de Rugby

Notes to Non-Consolidated Financial Statements

December 31, 2017

1. Accounting Policies (continued)

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. The building is amortized on a 40 year straight-line basis and the equipment and software is amortized on a 20% diminishing balance basis. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

2. Going Concern

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the union will be able to continue its operations in the foreseeable future and realize its assets and discharge its liabilities in the normal course of business.

During the year, the union was unable to achieve its commercial revenue generation expectations and faced non-recurring expenses due to restructuring. Given the operating loss, working capital position, and the ensuing cash flow constraints, the union's ability to realize its assets and discharge its liabilities depends on continued support from external funding partners, membership, and growth in commercial revenue generation. Management has developed a three year projection and remains committed to providing a sound financial platform designed to reduce the deficit position.

Pursuant to this plan, the financial statements have been prepared on a going concern basis and the belief that the company has the ability to satisfy its obligations in the normal course of business and continue its operations in the foreseeable future.

Canadian Rugby Union - Fédération canadienne de Rugby

Notes to Non-Consolidated Financial Statements

December 31, 2017

3. Temporary Investments

Short-term investments are comprised of cash balance of \$67,539 and two redeemable guaranteed investment certificates held at a chartered bank with effective interest rates of 0.85% and 0.75%, maturing in December 2018. They were purchased with donated funds from a previous year and are held as security for the Union's bank overdraft.

4. Inventories

	<u>2017</u>	<u>2016</u>
Retail merchandise and rugby equipment	\$ 273,595	\$ 284,668
Gift of kit	<u>68,340</u>	<u>112,761</u>
	<u>\$ 341,935</u>	<u>\$ 397,429</u>

The amount of inventories recognized as an expense during the year is \$1,245,650 (2016 - \$1,046,323). Included in this amount is \$649,886 (2016 - \$399,445) recorded under Purchase of merchandise items, \$522,755 (2016 - \$525,526) recorded under National teams and the remainder of \$73,009 (2016 - \$121,352) is recorded in other expense line items.

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

December 31, 2017

5. Tangible Capital Assets and Leased Tangible Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Operating				
Computers	\$ 211,932	\$ 151,734	\$ 182,033	\$ 125,935
Donated rugby equipment	254,245	118,726	213,393	95,059
Leased equipment	20,581	13,837	20,581	12,151
Office equipment	49,107	40,640	49,107	38,524
Office furniture	149,967	120,587	149,967	113,242
Software	232,063	128,087	116,132	100,087
Leased software	56,272	33,568	56,272	27,892
Vehicle	10,848	11,336	12,848	11,336
Leasehold improvements	240,882	135,231	240,882	111,143
Center of Excellence				
Leased land	459,179	-	-	-
Leased building	6,808,514	-	-	-
Leased equipment	572,758	-	-	-
	\$ 9,066,348	\$ 753,746	\$ 1,041,215	\$ 635,369
Net carrying amount		\$ 8,312,602		\$ 405,846

The leased building and leased equipment of the Centre of Excellence were not yet available for use and therefore were not amortized.

6. Bank Overdraft and Line of Credit

The Union has two operating loans with authorized amounts of \$150,000 and \$165,000 that are due on demand and bear interest at the bank's prime rate plus 2.75% and 1% respectively, calculated and payable monthly. They are both secured by a general security agreement covering all assets including the temporary investments as disclosed in Note 3. At December 31, 2017, the Union had undrawn credit capacity of \$315,000 under both these facilities.

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

December 31, 2017

7. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$60,574 (2016 - \$46,975).

8. Obligations Under Capital Leases

	2017	2016
Royal Bank of Canada, 5.34%, due December 2022, payable by monthly instalments of \$10,320, principal and interest.	\$ 549,913	\$ -
City of Langford, 5.20%, due December 2033, payable by monthly instalments of \$8,333, principal and interest, and a final payment of \$1,000,000 at the end of the lease term.	1,499,219	-
	2,049,132	-
Less: principal portion due within one year	122,339	-
	\$ 1,926,793	\$ -

Minimum lease payments required under capital leases are as follows:

2018	\$ 223,839
2019	223,839
2020	223,839
2021	223,839
2022	223,839
After 2022	2,005,127
	3,124,322
Less: interest included in payments	1,075,190
	\$ 2,049,132

During the year, the Union entered into an agreement with the City of Langford for the construction of the Center of Excellence. As part of the agreement, the building was financed as follows:

- A loan of \$1,000,000 from the City of Langford due December 2019 with an interest rate of 2.10%;
- A contribution of \$2,935,250 from Economic Development Agency of Canada;
- Lease payments of \$100,000 a year until 2033 payable to the City of Langford; and
- The remaining balance to be paid by the Union, of which \$1,043,320 is outstanding at December 31, 2017.

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

December 31, 2017

9. 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:

	2017	2016
Deferred fees		
Dues and insurance from players	\$ 557,358	\$ 546,702
Under Armour sponsorship - gift of kit	68,340	112,761
Restricted donations	484,738	404,883
World Cup Legacy Fund	137,339	29,760
Other programs and events	192,962	165,970
	1,440,737	1,260,076
Deferred contributions		
Sport Canada	553,945	802,715
World Rugby Limited	288,105	236,277
	842,050	1,038,992
	\$ 2,282,787	\$ 2,299,068

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

	2017	2016
Balance, beginning of the year	\$ 1,038,992	\$ 1,358,952
Plus: amount received during the year	4,325,772	4,768,758
Less: amount recognized in revenues during the year	(4,522,714)	(5,088,718)
	\$ 842,050	\$ 1,038,992

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

December 31, 2017

10. Deferred Contributions Related to Leased Tangible Capital Assets

Deferred contributions related to leased tangible capital assets represents contributions received for tangible capital assets and restricted donations relating to the acquisition of a building. The balance is comprised of the following:

	2017	2016
Economic Development Agency of Canada	\$ 2,935,250	\$ -
Capital campaign donations	812,749	-
	\$ 3,747,999	\$ -

The variations in the balance of deferred contributions related to leased tangible capital assets is as follows:

	2017	2016
Balance, beginning of year	\$ -	\$ -
Plus: amount received during the year	3,747,999	-
Less: amount amortized to operations	-	-
Balance, end of year	\$ 3,747,999	\$ -

The capital campaign donations received which are not yet spent have been reflected as restricted cash in the non-consolidated statement of financial position.

11. 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 (2017 - \$13,831; 2016 - \$13,831).

Canadian Rugby Union - Fédération canadienne de Rugby

Notes to Non-Consolidated Financial Statements

December 31, 2017

12. Contractual Obligations

The Union has two operating leases for its premises at \$12,407 and \$8,500 per month, expiring in September 2024 and December 2026 respectively. The Union also has operating leases for its vehicles and various office equipment expiring, at the latest, in October 2017. Future minimum lease payments total \$1,305,514 and include the following payments over the next five years:

2018	\$	267,112
2019	\$	262,913
2020	\$	259,286
2021	\$	252,847
2022	\$	263,355

The Union also entered into a supply agreement for merchandise expiring December 31, 2023, and requires that the Union spend an annual minimum amount of \$250,000 for the purchase of merchandise and other supplies.

13. Contingencies

The Union is party to legal claims relating to accidents that occurred to participants during scheduled rugby games. The claims have been made against the Union's insurance policy and each incident is for an amount less than the single occurrence coverage available under the policy. Management cannot estimate the likelihood of the obligation under each claim but is confident that any resulting settlement will be covered under the terms of the insurance coverage in place for the Union. The Union's deductible related to these insurance claims is \$50,000 per claim up to a maximum of \$200,000 per year. Once this amount is reached, the deductible decreases to \$25,000 per claim. The estimated insurance deductible payable at December 31, 2017 of \$148,554 (2016 - \$183,914) has been recorded in accounts payable and accrued liabilities.

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

December 31, 2017

14. Investments in Controlled Organizations and Due to/from Controlled Organizations

	2017	2016
Investments in Controlled Organizations		
Canada International Sevens GP Ltd.	\$ 23,030	\$ 100
Canada Men's International Sevens Limited Partnership	294,819	322,912
Canada Women's International Sevens Limited Partnership	(21,382)	(38,481)
	\$ 296,467	\$ 284,531
Due from Controlled Organizations		
Canada International Sevens GP Ltd.	\$ 5,526	\$ -
Canada Men's International Sevens Limited Partnership	-	312,448
	\$ 5,526	\$ 312,448
Due to Controlled Organizations		
Canada International Sevens GP Ltd.	\$ -	\$ 100
Canada Men's International Sevens Limited Partnership	276,314	-
Canada Women's International Sevens Limited Partnership	35,730	69,683
	\$ 312,044	\$ 69,783

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.

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

December 31, 2017

14. Investments in Controlled Organizations and Due to/from Controlled Organizations (continued)

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

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

The summary financial statements of CMISLP for the 6 months ended December 31, 2017 are as follows. These summary financial statements reflect activities in the CMISLP after the CMISLP's year-end of June 30, 2017 which has been recorded as revenue from controlled organizations in the non-consolidated statement of operations.

	2017	2016
Statement of financial position		
Assets	\$ 901,381	\$ 898,292
Liabilities	\$ (1,518,283)	\$ (1,631,723)
Net deficiency	\$ 616,902	\$ 733,431
Statement of operations		
Revenues	\$ (11,250)	\$ -
Expenses	\$ 903,420	\$ 1,059,573
Statement of cash flows		
Operating activities	\$ 397,383	\$ 188,586
Investing activities	\$ 45,748	\$ 387,599
Financing activities	\$ (1,098,163)	\$ 252,174

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

December 31, 2017

14. Investments in Controlled Organizations and Due from Controlled Organizations (continued)

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

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

The summary financial statements of CWISLP for the 6 months ended December 31, 2017 are as follows. These summary financial statements reflect activities in the CWISLP after the CWISLP's year-end of June 30, 2017 which has been recorded as revenue from controlled organizations in the non-consolidated statement of operations.

	2017	2016
Statement of financial position		
Assets	\$ 175,057	\$ 228,340
Liabilities	\$ (280,967)	\$ (421,831)
Net deficiency	\$ 105,910	\$ 193,491
Statement of operations		
Expenses	\$ 84,312	\$ 154,626
Statement of cash flows		
Operating activities	\$ 984	\$ (379,637)
Investing activities	\$ 62,258	\$ 123,079
Financing activities	\$ (45,748)	\$ 251,420

15. Statement of Cash Flows

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following summarizes significant non-cash transactions during the year:

	2017	2016
Decrease in deposits	\$ 100,000	\$ -
Acquisition of tangible capital assets	\$ (6,986,546)	\$ -
Increase in demand loan	\$ 1,002,164	\$ -
Increase in construction costs payable	\$ 1,000,000	\$ -
Increase in obligations under capital leases	\$ 2,049,132	\$ -
Increase in deferred contributions	\$ 2,935,250	\$ -

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December 31, 2017

16. Financial Instruments

Liquidity risk

The Union is exposed to this risk mainly in respect of the accounts payable and accrued liabilities and the construction costs payable.

The Union manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, by holding assets that can be readily converted into cash, and by managing the term dates of its financial liabilities.

Credit risk

The Union is exposed to credit risk for its accounts and grants receivable. The majority of the Union's receivables are from government sources and provincial Unions. The Union works to ensure they meet all eligibility criteria in order to qualify to receive the corresponding funding. The Union provides credit to its members in the normal course of its operations.

Currency risk

Approximately 14% of the Union's revenues are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at December 31, 2017, cash, accounts receivable and accounts payable of £36,102, £6,556 and £3,503 respectively (2016 - £117,114, £39,740 and £8,384 respectively) are denominated in Great Britain Pounds and converted into Canadian dollars. As at December 31, 2017, cash, accounts receivable and accounts payable of \$61,038, \$85,000 and \$12,606 respectively (2016 - \$40,209, \$353,569 and \$12,003 respectively) are denominated in US dollars and converted into Canadian dollars.

17. Comparative Amounts

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

18. Internally Restricted Net Assets

The Board of Directors of the Union and provincial Unions have established the internally restricted net assets to keep monies in reserve for potential insurance claims in excess of the insurance policy coverage which may arise in the future. The internally restricted net assets have been established based on half the surplus from the insurance program with the provincial Unions unless otherwise resolved by the provincial Unions at the Annual General Meeting. As at December 31, 2017 cash of \$117,254 has been restricted in a separate bank account.

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

For the year ended December 31	Sport Development	Enhanced Excellence	Total 2017
Revenues			
General administration	\$ -	\$ 10,000	\$ 10,000
Salaries, fees and benefits	-	137,088	137,088
Coaching salaries and professional development	-	341,417	341,417
National team program	628,000	1,181,265	1,809,265
Official Languages	11,500	-	11,500
	<u>639,500</u>	<u>1,669,770</u>	<u>2,309,270</u>
Expenses			
General administration	1,361,067	68,186	1,429,253
Governance	162,931	-	162,931
Salaries, fees and benefits	2,084,558	134,152	2,218,710
Coaching salaries and professional development	906,556	329,657	1,236,213
National team program	4,250,199	1,585,450	5,835,649
Official languages	38,255	-	38,255
Operations and programming	2,408,242	-	2,408,242
	<u>11,211,808</u>	<u>2,117,445</u>	<u>13,329,253</u>
Deficiency of revenues over expenses	\$(10,572,308)	\$ (447,675)	\$(11,019,983)