

Bobsleigh Canada Skeleton
Financial Statements
For the year ended March 31, 2012

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Tel: 403 266 5608
Fax: 403 233 7833
www.bdo.ca

BDO Canada LLP
620, 903 - 8th Avenue SW
Calgary AB T2P 0P7 Canada

Independent Auditor's Report

To the Board of Directors of Bobsleigh Canada Skeleton

We have audited the accompanying financial statements of Bobsleigh Canada Skeleton (the "Organization"), which comprise the statement of financial position as at March 31, 2012, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2012 and the results of its operations, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The financial statements of Bobsleigh Canada Skeleton for the year ended March 31, 2011 were audited by another accountant whose unmodified report on those financial statements was dated July 18, 2011.

BDO Canada LLP

Chartered Accountants
July 16, 2012

Calgary, Alberta

Bobsleigh Canada Skeleton Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Restricted cash	\$ 39,692	\$ -
Accounts receivable (Note 9)	341,725	257,176
Prepaid expenses	20,463	14,843
	401,880	272,019
Property and equipment (Note 3)	466,831	628,017
Investments (Note 2)	492,027	571,474
	\$ 1,360,738	\$ 1,471,510
Liabilities and Net Assets		
Current		
Bank indebtedness (Note 4)	\$ 288,635	\$ 205,733
Accounts payable and accrued liabilities (Notes 5 and 9)	455,043	634,702
Deferred revenue	23,080	-
	766,758	840,435
Deferred revenue	23,080	-
	789,838	840,435
Net Assets		
Unrestricted	104,069	3,058
Internally restricted - investment in property and equipment	466,831	628,017
	570,900	631,075
	\$ 1,360,738	\$ 1,471,510

Commitments (Note 6)

Contingent liability (Note 5)

Approved on behalf of the Board:

Signed "R. Morrison" , Director

Signed "B. Asbell" , Director

Bobsleigh Canada Skeleton Statement of Revenues and Expenses

For the year ended March 31	2012	2011
Revenues (Note 9)		
Own the Podium	\$ 1,770,115	\$ 1,646,286
Sport Canada	1,442,480	1,211,039
Events	483,432	387,161
Sponsorship (Note 8)	216,413	749,502
Donations	205,951	57,759
Other income	150,883	185,725
	<u>4,269,274</u>	<u>4,237,472</u>
Expenses (Note 9)		
Salaries and wages	940,629	999,679
National team - bobsleigh	910,147	689,984
National team - skeleton	718,037	649,330
Repairs and maintenance	419,734	346,553
Events	278,862	404,392
Administration	246,220	222,060
Amortization	194,414	287,676
National development team - bobsleigh	175,433	339,017
Other operating expenses (Note 8)	119,195	58,499
National development team - skeleton	86,760	201,985
Performance services	68,186	104,569
Advertising and promotion	31,707	68,147
Meetings and conventions	14,237	21,780
Recruitment	11,339	37,035
Interest	6,383	4,514
Long term athlete development	6,452	8,306
	<u>4,227,735</u>	<u>4,443,526</u>
Excess (deficiency) of revenues over expenses for the year	\$ 41,539	\$ (206,054)

The accompanying notes are an integral part of these financial statements

Bobsleigh Canada Skeleton Statement of Changes in Net Assets

For the Year Ended March 31

	Invested in property and equipment	Unrestricted	2012 Total	2011 Total
Balance, beginning of year, restated	\$ 628,017	\$ 3,058	\$ 631,075	\$ 724,622
Excess (deficiency) of revenues over expenses	(194,414)	235,953	41,539	(206,054)
Unrealized gain (loss) on available-for-sale investments	-	(101,714)	(101,714)	112,507
Additions to property and equipment less disposals	33,228	(33,228)	-	-
Balance, end of year	\$ 466,831	\$ 104,069	\$ 570,900	\$ 631,075

The accompanying notes are an integral part of these financial statements

Bobsleigh Canada Skeleton Statement of Cash Flows

For the Year Ended March 31	2012	2011
Cash from operating activities:		
Net income (loss) for the year	\$ 41,539	\$ (206,054)
Items not affecting cash		
Amortization	194,414	287,676
(Gains) losses on sale of property and equipment	500	(7,000)
Unrealized foreign currency exchange (gains) losses	(7,329)	-
Change in non-cash working capital items		
Accounts receivables	(84,549)	(10,032)
Prepaid expenses	(5,620)	-
Accounts payable and accrued liabilities	(179,657)	(3,189)
Deferred revenue	46,160	-
	5,458	61,401
Cash flows from investing activities:		
Purchase of property and equipment	(33,228)	(176,703)
Proceeds on disposal of property and equipment	-	7,000
Purchase of marketable securities	(15,440)	(68,154)
Increase in restricted cash	(39,692)	-
	(88,360)	(237,857)
Cash flows from financing activities:		
Increase (decrease) in bank indebtedness	82,902	176,456
	82,902	176,456
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

1. Summary of Significant Accounting Policies

Nature of operations

Bobsleigh Canada Skeleton (the "Organization") was incorporated on March 22, 1990 under the Canada Corporations Act as a non-profit organization and commenced operations effective April 1, 1990. The Organization's purpose is to develop and administer the sport of bobsleigh and skeleton in Canada in order to ensure opportunities for participation at domestic levels and to foster international excellence. It receives funding from Sport Canada, the Canadian Olympic Committee, the Calgary Olympic Development Association and other sources.

Bobsleigh Luge Skeleton Canada, formerly Bobsleigh and Luge Canada, is an organization that acts to coordinate the activities of Bobsleigh Canada Skeleton and the Canadian Luge Association. Bobsleigh Luge Skeleton Canada applies for and administers all Sport Canada funding on behalf of the sports of bobsleigh and luge in Canada. Accordingly, the Organization is allocated its proportionate share of Sport Canada funding by Bobsleigh Luge Skeleton Canada.

As a non-profit organization, Bobsleigh Canada Skeleton is exempt from income taxes under Section 149(1)(L) of the Income Tax Act and is a registered charity.

The Organization has significant funding agreements with the Government of Canada (Note 7) to develop and administer the sport of bobsleigh and skeleton in Canada. Readers of these financial statements should be cognizant of the significance of these contracts on the operations of the Organization.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

1. Summary of Significant Accounting Policies (continued)

Use of estimates

The financial statements of the Organization have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies.

The valuation of accounts receivable is based on management's best estimate of the allowance for doubtful accounts.

The valuation of property and equipment is based upon management's best estimate of the future benefit of the related asset and the amount recorded for amortization is based on management's best estimate of the remaining useful lives of the assets.

By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of future changes in such estimates could be material. Changes in estimates are recognized in the period of determination.

Restricted cash

Restricted cash consists of funds received as prize money for performance excellence and fundraising activities of individual athletes and teams of the Organization. These funds are required to be distributed to the athletes.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

1. Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment are recorded at cost and are amortized on a straight-line basis over their estimated useful lives, less salvage values, using the following terms:

Bobsleighs and skeletons	5 years
Office and electronic equipment	5 years
Tools and materials	10 years

When an item of property and equipment no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expenditure in the statement of revenues and expenses. Write-downs are not reversed.

Investments

Investments are comprised of portfolio investments including cash and cash equivalents and equities and are recorded at fair market value.

Foreign currency translation

The Organization translates foreign currency transactions into Canadian dollars on the following basis:

- (i) monetary assets and liabilities - at the rate of exchange prevailing at the year end;
- (ii) non-monetary assets and liabilities - at the rate of exchange prevailing when the assets were acquired or liability incurred;
- (iii) revenue and expenses - at the rate of exchange in effect on the transaction date; and
- (iv) gains and losses on translation of monetary assets and liabilities are included in operations.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

1. Summary of Significant Accounting Policies (continued)

Revenue recognition

The Organization follows the deferral method of accounting for contributions. All revenues and contributions are recognized when the amounts are known, collection is reasonably assured and the following criteria are met:

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.

Restricted contributions related to property and equipment are deferred and amortized on a straight-line basis over the estimated useful life of the corresponding asset.

Sponsorships revenue is recognized over the period specified per individual contracts.

Event revenue is recognized when the event has taken place.

Contributed materials and services

The Organization receives various contributions in the form of materials and services, which it uses to carry out its objectives. Contributed materials and services are recorded only when the fair value can reasonably be estimated, and where the materials or services are normally purchased and would be paid for if not donated. The Organization also receives contributions for reimbursement of certain specified technical and administrative expenses incurred during the year. These contributions are offset against the corresponding expenditure. Any unexpended portion of these contributions is refundable to the contributor.

Research and development costs The Organization incurs costs on activities that relate to research and development of composition of runners and sled materials. Research costs are expensed as they are incurred. Development costs are expensed.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

1. Summary of Significant Accounting Policies (continued)

Financial instruments

The Organization has classified its financial instruments as follows:

Held-for-trading	Cash and cash equivalents and restricted cash
Available-for-sale	Investments
Loans and receivables	Accounts receivable
Other financial liabilities	Bank indebtedness, accounts payable and accrued liabilities

Financial instruments classified as held-for-trading are carried at fair value, with changes in their fair values recognized in the statement of revenue and expenses in the current period.

Financial instruments classified as available for sale are measured and presented at fair value with changes in fair value being recorded in the statement of changes in net assets until the financial instrument is sold. Publicly traded investments are valued at the closing price.

Loans and receivables and other financial liabilities are measured at cost or amortized cost using the effective interest method. Gains and losses on other financial liabilities are recognized in the statement of revenue and expenses in the period the liability is derecognized.

The Organization initially measures all of its financial instruments at fair value. Unless otherwise indicated, it is Management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

New accounting pronouncements not yet effective

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Organization, are as follows:

In December 2010, the Accounting Standards Board ('AcSB') and the Public Sector Accounting Board ('PSAB') each issued the accounting and financial reporting requirements for Not-For-Profit Organizations ('NPOs'). The options available to NPOs will depend on whether or not the NPO meets the definition of a government not-for-profit organization. The above standards become effective for years beginning on or after January 1, 2012. The Organization has determined that it is a private not-for-profit organization and it will therefore be required to adopt Parts II and III of the Canadian Institute of Chartered Accountants ('CICA') Handbook.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

2. Investments

	2012	2011
Cash and cash equivalents	\$ 13,575	\$ 1,942
Equities	478,452	569,532
	\$ 492,027	\$ 571,474

Equities include stocks and mutual funds publicly traded on Canadian markets. The investments are managed by a board of trustees appointed by the Canadian Bobsleigh Fund. They are held by the Organization in trust for the Canadian Bobsleigh Fund to further the objectives of the Canadian Bobsleigh Team, namely to grant funds to the national team or its associated provincial teams to support the development of athletes and acquisition of racing equipment such that the use of these grants further Canadian Olympic goals. The term of the fund is 20 years, having commenced in October 2002. At the completion of the term, the Fund or amount remaining shall be paid to the Organization.

3. Property and Equipment

Property and equipment consists of the following:

	2012	2011		
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Bobsleighs and skeletons	\$ 1,339,949	\$ 890,701	\$ 449,248	\$ 585,219
Office and electronic equipment	198,661	183,552	15,109	39,086
Tools and materials	137,392	134,918	2,474	3,712
	\$ 1,676,002	\$ 1,209,171	\$ 466,831	\$ 628,017

Included in bobsleighs and skeletons are assets under capital lease totaling \$106,935 (2011 - \$106,935). Accumulated amortization related to these capital leases totaled \$22,295 (2011 - \$7,693).

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

4. Bank Indebtedness

	<u>2012</u>	<u>2011</u>
Cheques issued in excess of funds on deposit	\$ 53,635	\$ 185,733
Revolving demand facility	<u>235,000</u>	<u>20,000</u>
	<u>\$ 288,635</u>	<u>\$ 205,733</u>

The bank has provided a revolving demand facility of up to a maximum of \$300,000 bearing interest at the bank's prime interest rate plus 1.10 % per annum. This facility and the overdraft are secured by a general security agreement constituting a first ranking security in all property of the Organization.

5. Contingent Liability

Contributions received from Sport Canada are subject to specific terms and conditions regarding the expenditure of the funds. The Organization's accounting records are subject to review by Sport Canada to identify instances, if any, where amounts charged against contributions have not complied with the agreed terms and conditions and which therefore would be refundable to Sport Canada. Adjustments to prior years' contributions are recorded in the year in which Sport Canada authorizes the adjustment.

At March 31, 2012, the Organization is required to repay \$53,000 (2011 - \$53,000) to Sport Canada.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

6. Commitments

Under the terms of their premises operating lease, the Organization is committed to make minimum lease payments totaling \$89,457 over the next three years as follows:

2013	\$	29,819
2014		29,819
2015		29,819
		<hr/>
	\$	89,457

The Organization has an agreement with Dresdener Sportgerate to provide four sleds for use in the European Cups. Under the terms of the agreement, the Organization is committed to spend 21,420 Euro's ("EUR") in each of 2013 and 2014.

The Organization has an agreement with Eurotech to provide manufacturing, development and services for three World Cup seasons and the Sochi Olympic games. Under the terms of the agreement, the Organization is committed to spend 233,333 EUR in each of 2013 and 2014.

As at March 31, 2012 the Organization had entered into an agreement with Conceptum Logistics to provide shipping services for equipment from April 2012 to March 2014. The Organization is committed to spend 38,062 EUR in 2013 and 87,975 EUR in 2014.

7. Economic Dependence

The Organization's purpose is to develop and administer the sport of bobsleigh and skeleton in Canada. The majority of revenue is earned under renewable contracts with the Government of Canada.

The Organization is dependent upon obtaining sufficient funding, sponsorships, and fundraising to meet its obligations. While the Organization has received funds from Sport Canada and Own the Podium for the next fiscal year there is no assurance that the Organization will be able to obtain adequate contributions beyond March 31, 2013.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

8. Contributed Materials and Services

Schenker Canada Limited provided value in kind services related to shipping charges totaling \$20,000 (2011 - \$20,000).

9. Related Party Transactions

Related party balances and transactions not otherwise disclosed in these financial statements consist of:

The Organization paid an organization owned by a director, travel agency fees totaling \$8,085 (2011 - \$4,620) and travel costs totaling \$3,381 (2011 - \$18,664). At year end, \$Nil (2011 - \$3,381) of this amount is included in accounts payable and accrued liabilities.

The Organization paid an organization owned by a director, graphic design fees totaling \$2,780 (2011 - \$2,813). At year end, \$Nil (2011 - \$619) of this amount is included in accounts payable and accrued liabilities.

The Organization paid Canadian Luge Association, an organization related by common directors, accommodation fees totaling \$10,250 (2011 - \$2,000) and shared event service fees totaling \$Nil (2011 - 16,280). At year end, \$1,825 (2011 - \$Nil) of this amount is included in accounts payable and accrued liabilities.

Bobsleigh Luge Skeleton Canada, an organization related by common control, distributed to the Organization, core Sport Canada revenue totaling \$460,066 (2011 - \$642,264) and Own the Podium revenue totaling \$1,321,350 (2011 - \$1,646,286) included in Sport Canada and Own the Podium revenue line items. At year end, \$61,508 (2011 - \$13,000) of this amount is included in accounts receivable. At year end, \$4,247 (2011 - \$13,604) is included in accounts payable and accrued liabilities as a result of a cash advance.

These transactions were made in the normal course of business and have been recorded at the exchange amounts.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

10. Financial Instruments and Risk Management

Fair value

The Organization, as part of its operations, carries financial instruments including restricted cash, accounts receivable, investments, bank indebtedness and accounts payable and accrued liabilities. The fair market values of these financial instruments approximate their carrying values.

Portfolio risk

The Organization's assets include a considerable portfolio of securities. The value of the securities changes in connection with the business, financial condition, management and other relevant factors affecting the underlying organization that issued the securities. In addition, general economic conditions of the markets in which such organizations operate change, thereby exposing the Organization to fluctuations in value of investments.

Foreign exchange

The Organization is exposed to foreign exchange risk as a portion of its accounts receivable, investments, accounts payable and accrued liabilities, and deferred revenue are denominated in foreign currencies other than Canadian dollars. The Organization does not hedge against these currency fluctuations as the turnover of the related foreign payables is relatively short. The Organization does not have any exposure to highly inflationary currencies.

Credit risk

The Organization is exposed to credit risk to the extent that its donors may experience financial difficulty and would be unable to meet their obligations. However, the Organization's accounts receivables are usually with government funding organizations, which minimizes the credit risk.

Credit risk associated with restricted cash is minimized substantially by ensuring that these assets are held with highly rated financial institutions.

Interest rate risk

The Organization is subject to interest rate risk due to changes to the prime lending rate since its bank indebtedness bears a variable rate of interest.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2012

11. Comparative Amounts

Certain comparative figures have been reclassified to conform with the current year's financial statements presentation.