Financial Statements of

BOBSLEIGH CANADA SKELETON

And Independent Auditors' Report thereon

Year ended March 31, 2020

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Bobsleigh Canada Skeleton

Opinion

We have audited the financial statements of Bobsleigh Canada Skeleton (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of change in deficiency for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in 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 these 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors' 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 auditors' 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 Canadian generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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.

- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

September 2, 2020

BOBSLEIGH CANADA SKELETON

Statement of Financial Position

March 31, 2020, with comparative information for 2019

		Operating fund		Capital fund		2020 Total		2019 Total
Assets								
Current assets:								
Accounts receivable (notes 3)	$	133,265	$	–	$	133,265	$	278,918
Prepaid expenses		9,696		–		9,696		14,089
		142,961		–		142,961		293,007
Property and equipment (note 4)		–		414,280		414,280		484,823
	$	142,961	$	414,280	$	557,241	$	777,830
Liabilities and (Deficiency) Net Assets								
Current liabilities:								
Bank indebtedness, net (note 5)	$	302,592	$	–	$	302,592	$	325,867
Accounts payable and accrued liabilities (note 6 and 9)		881,974		–		881,974		1,105,079
Deferred contributions (note 7)		25,000		–		25,000		–
Current portion of obligations under capital lease (note 8)		–		45,047		45,047		43,288
		1,209,566		45,047		1,254,613		1,474,234
Obligations under capital lease (note 8)		–		27,120		27,120		72,167
		–		27,120		27,120		72,167
(Deficiency) net assets		(1,066,605)		342,113		(724,492)		(768,571)
Economic dependence (note 1(b))								
Subsequent event (note 12)								
	$	142,961	$	414,280	$	557,241	$	777,830

See accompanying notes to financial statements.

Approved on behalf of the Board:

Alicia Hatt Director

Sarah Storey Director

BOBSLEIGH CANADA SKELETON

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	Operating fund	Capital fund	2020 Total	2019 Total
Revenues:				
Sport Canada (note 1 (b))	$ 2,354,621	$ –	$ 2,354,621	$ 2,241,947
Canada Olympic Committee	253,000	–	253,000	520,100
Sponsorship	248,621	–	248,621	340,937
Athlete membership and program fees	171,129	–	171,129	77,490
International Bobsleigh and Skeleton Federation (prev. FIBT)	125,586	–	125,586	85,415
Trust and other donations	73,464	–	73,464	138,299
Other income – events cost recovery	64,751	–	64,751	–
Winsport donation	60,409	–	60,409	–
Events	45,636	–	45,636	650,708
Other income	38,988	–	38,988	46,801
Gain on sale of equipment	–	–	–	7,500
	3,436,205	–	3,436,205	4,109,197
Expenses:				
National team – bobsleigh	1,410,838	–	1,410,838	1,824,989
Events	–	–	–	1,012,806
National team – skeleton	495,062	–	495,062	504,476
Development team – bobsleigh	394,562	–	394,562	237,878
General and administrative (note 8)	363,666	5,078	368,744	250,055
Legal expenses	250,064	–	250,064	35,708
Amortization of property and equipment	–	188,524	188,524	229,671
Development team – skeleton	127,636	–	127,636	71,630
Safe sport & gender equity	66,047	–	66,047	–
Repairs and maintenance	39,691	–	39,691	42,061
Marketing and sponsorship	24,000	–	24,000	26,833
Recruitment	21,963	–	21,963	36,043
Youth Olympic Games	4,995	–	4,995	–
	3,198,524	193,602	3,392,126	4,272,150
Excess (deficiency) of revenues over expenses	$ 237,681	$ (193,602)	$ 44,079	$ (162,953)

See accompanying notes to financial statements.

BOBSLEIGH CANADA SKELETON

Statement of Change in Deficiency

Year ended March 31, 2020, with comparative information for 2019

	Operating fund	Capital fund	2020 Total	2019 Total
(Deficiency) net assets, beginning of year	$ (1,137,939)	$ 369,368	$ (768,571)	$ (605,618)
Excess (deficiency) of revenue over expenses	237,681	(193,602)	44,079	(162,953)
Transfer from operating fund to capital fund	(166,347)	166,347	–	–
(Deficiency) net assets, end of year	$ (1,066,605)	$ 342,113	$ (724,492)	$ (768,571)

See accompanying notes to financial statements.

BOBSLEIGH CANADA SKELETON

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	$ 44,079	$ (162,953)
Item not affecting cash:		
Gain on disposal of equipment	–	(7,500)
Amortization of property and equipment	188,524	229,671
Deferred contributions received (note 6)	25,000	–
Deferred contributions recognized as revenue (note 6)	–	(125,000)
	257,603	(65,782)
Change in non-cash working capital		
Accounts receivable	145,653	(105,428)
Prepaid expenses	4,393	2,872
Accounts payable and accrued liabilities	(223,105)	164,101
	184,544	(4,237)
Financing:		
(Decrease) increase in bank indebtedness	(2,000)	50,000
Repayments of obligations under capital lease	(43,288)	(41,599)
	(45,288)	8,401
Investing:		
Purchase of property and equipment	(135,104)	(22,105)
Proceeds on disposal of equipment	17,123	7,500
	(117,981)	(15,605)
Change in cash	21,275	(11,441)
Cash, beginning of year	64,133	75,574
Cash, end of year (note 5)	$ 85,408	$ 64,133

See accompanying notes to financial statements.

1. Nature of operations and economic dependence:

(a) Nature of operation:

Previously an association, Bobsleigh Canada Skeleton (the “Organization”) was incorporated on March 22, 1990 under the Canada Corporations Act, Part II (repealed in 2017) and continued under the Canada Not-for-profit Corporations Act on July 28, 2014. The Organization’s purpose is to promote the growth and development of bobsleigh and skeleton in Canada and its mission is to develop World and Olympic Champions. It receives funding from Sport Canada, the Canadian Olympic Committee and other sources.

Bobsleigh Canada Skeleton is registered as a tax-exempt Canadian Amateur Athletic Association under the Income Tax Act.

(b) Economic dependence:

During the year, the Organization received revenue of $2,354,621 (2019 - $2,241,947), which represents 70% (2019 – 55%) of its revenues, from Sport Canada. The Organization is economically dependent on this funding to continue its operating activities.

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.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations in Part Ill of the CPA Handbook, the more significant of which, are as follows:

(a) Revenue recognition:

The Organization follows the restricted fund method of accounting for contributions.

The Operating Fund is an unrestricted fund that contains the assets, liabilities, revenue and expenses related to the Organization’s operating activities and special events.

The Organization maintains the following restricted fund:

- The Capital Fund contains the assets, liabilities, revenues, and expenses related to the purchase of capital assets.

Restricted contributions related to a restricted fund are recognized as revenue of the appropriate restricted fund when received or when future receipt of cash is guaranteed by a funding agreement.

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Restricted contributions to the Operating Fund are deferred and amortized to revenue when the related expenditures are incurred. Unrestricted contributions in the Operating Fund are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Event revenue is recognized when the event has taken place.

(b) Financial instruments:

The Organization initially measures its financial assets and liabilities at fair value, and subsequently measures all its financial assets and financial liabilities at amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the declining balance method.

Financial assets measured at cost or amortized cost are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Property and equipment:

Property and equipment are recorded at cost, less accumulated amortization. Assets under capital leases are initially recorded at the present value of minimum lease payments at the inception of the lease. The remaining amortization is provided annually on a declining balance basis as follows:

Asset	
Bobsleighs and skeletons	5 years
Tools and materials	10 years

2. Significant accounting policies (continued):

(c) Property and equipment (continued):

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Organization uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

(d) Foreign currency transactions:

Transactions completed in foreign currencies are reflected in Canadian dollars at the rates prevailing at the time of the transactions. Current assets and current liabilities denominated in foreign currencies are reflected in the financial statements at the Canadian dollar equivalent at the rate of exchange prevailing at the balance sheet date. Translation gains and losses are included in earnings.

(e) Contributed services:

Volunteers assist the Organization in carrying out certain activities. Due to uncertainty in determining fair value of the service and given that such assistance is generally not otherwise purchased, contributed services are not recognized in the financial statements.

(f) Donated equipment and materials

Donated equipment and materials are recorded at fair market value if it can be reasonably determined and if such equipment and materials are normally purchased and would be paid for, if not donated. If fair market value cannot be reasonably determined, donated equipment and materials are recorded at nominal value.

(g) Research and development costs:

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

(h) Cash offsetting:

Cash balances, for which the Organization has the ability to and intent of offset, are used to reduce the reported balance of bank indebtedness.

(i) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

2. Significant accounting policies (continued):

(i) Use of estimates:

Significant items subject to such estimates and assumptions include the carrying amounts of property and equipment and provisions for impairment of accounts receivable. Actual results could differ from those estimates.

3. Accounts receivable:

Accounts receivable includes $14,193 (2019 - $86,107), representing GST due from the government.

4. Property and equipment:

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Bobsleighs and skeletons	$ 2,625,910	$ 2,310,434	$ 315,476	$ 328,585
Bobsleighs and skeletons under capital lease	275,358	192,748	82,610	137,681
Tools and materials	158,128	141,934	16,194	18,557
	$ 3,059,396	$ 2,645,116	$ 414,280	$ 484,823

5. Bank indebtedness:

The Organization has access to two revolving demand facilities of $300,000 and $100,000 for a total of $400,000. The $100,000 facility can only be drawn on from February 15 to May 15 of each year. Both facilities bear interest at the bank's prime interest rate plus 1.10% (2019 – bank's prime rate plus 1.10%) per annum. The net bank indebtedness as at March 31, 2020 is $302,592 (2019 - $325,867). This amount is net of cash balances of $85,408 (2019 - $64,133), with the same lending institution. Interest expenses of $10,489 (2019 – $8,709) are included in general and administration expenses under the operating fund. Borrowings are secured by general security agreement constituting a first ranking security interest in all personal property of the Organization.

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $327 (2019 - $633), which includes amounts payable for payroll related taxes.

7. Deferred contributions:

Deferred contributions represent unspent resources subject to externally imposed restrictions requiring that funds be used for specific expenditures:

	2020	2019
Balance, beginning of year	$ –	$ 125,000
Contributions provided by funders	25,000	–
Contributions taken into revenue	–	(125,000)
Balance, end of year	$ 25,000	$ –

8. Obligations under capital lease:

The Organization has entered into a capital lease contract for bobsleigh equipment. The maturity date of this agreement is October 26, 2021 with an interest rate of 3.99%. The capital lease is secured by the underlying assets. Lease payments made by the Organization are blended interest and principal payments. The Organization's capital lease obligations are repayable as follows:

2021	$ 47,109
2022	27,481
Total minimum lease payments	74,590
Less amount representing interest	2,423
Present value of net minimum capital lease payments	72,167
Current portion of obligations under capital leases	45,047
	$ 27,120

Interest of $5,078 (2019 - $6,377) relating to capital lease obligations has been included in general and administrative expenses.

9. Related party transactions:

Related party balances and transactions included in these financial statements consist of:

Accounts payable to a member of governance at March 31, 2020 is $20,283 (2019 - $27,694). Amounts payable relate to general business expenses incurred on behalf of the Organization.

These transactions are in the normal course of operations and recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

10. Financial instruments:

The Organization holds various forms of financial instruments. The Organization's financial instruments consist of restricted cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities. The nature of these instruments and the Organization's operations expose the Organization to foreign exchange risk, credit risk, interest rate risk and liquidity risk. The Organization manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Foreign exchange risk:

The Organization is exposed to foreign exchange risk as a portion of its accounts receivable, 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, but holds bank accounts in USD and EURO currencies to mitigate risk in currency fluctuations. The Organization does not have any exposure to highly inflationary currencies.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization does not believe it is subject to any significant concentration of credit risk. Cash is in place with major financial institutions and substantially all of the accounts receivables are due from the federal government, where chances of default are low.

(c) Liquidity risk:

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transactions on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the bank indebtedness and accounts payable and accrued liabilities. Management constantly monitors its cash flows to ensure that commitments are met.

10. Financial instruments:

(d) 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.

There has been no change to the risk exposures from 2019 except for the items discussed in note 12.

11. Changes in accounting standards:

In March 2018, the Canadian Accounting Standards Board issued *"Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations"* resulting in the introduction of three new sections in the Canadian Accounting Standards for Not-for-Profit Organizations Part III of the Handbook as follows:

A. *Section 4433, Tangible capital assets held by not-for-profit organizations*, which directs organizations to apply the accounting guidance of *Section 3061, Property Plant and Equipment* in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

   This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at April 1, 2019.

B. *Section 4434, Intangible assets held by not-for-profit organizations*, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expense should the net carrying value be higher than the asset's fair value or replacement cost.

   This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at April 1, 2019.

C. *Section 4441, Collections held by not-for-profit organizations*, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

11. Changes in accounting standards (continued):

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at April 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at April 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

12. COVID-19 Pandemic:

On March 11, 2020, the World Health Organization declared the Novel Coronavirus (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, have caused material disruption to businesses in Calgary, resulting in an economic slowdown.

The onset of the pandemic has resulted in the slowdown of administrative activity both inside and outside of the Organization. Due to the proximity to the fiscal year end of the Organization to the onset of the pandemic the completion of the audit of the financial statements has suffered unexpected delays. These delays have resulted in the Organization being unable to submit its audited financial statements to the bank within 90 days of the year end as required by its lending agreement. The lending requirement has since been satisfied and the Organization`s credit facilities remain unaffected.

The ultimate duration and magnitude of the impact on the economy and the financial effect on the Organization’s future revenues, operating results and overall financial performance is not known at this time. These impacts may include challenges on the Organization’s ability to obtain funding, and disruptions to its operations such as cancellation of sporting events, employee impacts from illness, school closures and other response measures.

As at March 31, 2020, the Organization has determined that COVID-19 has had no impact on its contracts or lease agreements, the assessment of provisions and contingent liabilities, or the timing of revenue recognition. The timing of the pandemic is the off season for the sport.

The pandemic will likely have an impact on the 2020/2021 season as it is unknown when restrictions limiting sporting events will be lifted. However, the Organization has received $1.2 million of government funding subsequent to March 31, 2020. The Organization continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis.