

BOBSLEIGH CANADA SKELETON
Financial Statements
Year Ended March 31, 2021

BOBSLEIGH CANADA SKELETON
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Year Ended March 31, 2021

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BUCHANAN BARRY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Bobsleigh Canada Skeleton

Opinion

We have audited the financial statements of Bobsleigh Canada Skeleton (the "Organization") that comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in deficiency and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of its operations and 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 report. We are independent of the Organization in accordance with 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.

Other Matter

The financial statements for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 2, 2020.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 these 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 Organization'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 Organization'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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Alberta
June 30, 2021



CHARTERED PROFESSIONAL ACCOUNTANTS

BOBSLEIGH CANADA SKELETON

Statement of Financial Position

March 31, 2021

| | Operating fund | Capital fund | Total 2021 | Total 2020 |
|---|-------------------|-----------------|---------------|---------------|
| ASSETS | | | | |
| CURRENT | | | | |
| Accounts receivable | \$ 84,180 | \$ - | \$ 84,180 | \$ 133,265 |
| Prepaid expenses | 8,282 | - | 8,282 | 9,696 |
| | 92,462 | - | 92,462 | 142,961 |
| PROPERTY AND EQUIPMENT (Note 4) | - | 460,621 | 460,621 | 414,280 |
| | \$ 92,462 | \$ 460,621 | \$ 553,083 | \$ 557,241 |
| LIABILITIES | | | | |
| CURRENT | | | | |
| Bank indebtedness, net (Note 5) | \$ 311,777 | \$ - | \$ 311,777 | \$ 302,592 |
| Accounts payable and accrued liabilities | 670,428 | - | 670,428 | 881,974 |
| Deferred contributions (Note 6) | - | - | - | 25,000 |
| Current portion of obligations under capital lease (Note 7) | - | 27,120 | 27,120 | 45,047 |
| | 982,205 | 27,120 | 1,009,325 | 1,254,613 |
| CANADA EMERGENCY BUSINESS ACCOUNT ("CEBA") LOAN (Note 8) | 40,000 | - | 40,000 | - |
| OBLIGATIONS UNDER CAPITAL LEASE (Note 7) | - | - | - | 27,120 |
| | 1,022,205 | 27,120 | 1,049,325 | 1,281,733 |
| NET DEFICIENCY | | | | |
| (DEFICIENCY) NET ASSETS | (929,743) | 433,501 | (496,242) | (724,492) |
| | \$ 92,462 | \$ 460,621 | \$ 553,083 | \$ 557,241 |

ECONOMIC DEPENDENCE (Note 2)

APPROVED ON BEHALF OF THE BOARD

Alicia Hatt Director

Sarah Storey Director

BOBSLEIGH CANADA SKELETON

Statement of Operations

Year Ended March 31, 2021

| | Operating fund | Capital fund | Total 2021 | Total 2020 |
|---|-------------------|---------------------|-------------------|------------------|
| REVENUE | | | | |
| Sport Canada (Note 11) | \$ 3,025,340 | \$ - | \$ 3,025,340 | \$ 2,354,621 |
| Canada Olympic Committee | 140,000 | - | 140,000 | 253,000 |
| Sponsorship | 133,800 | - | 133,800 | 248,621 |
| Insurance claim | 129,301 | - | 129,301 | - |
| Athlete membership and program fees | 55,445 | - | 55,445 | 171,129 |
| International Bobsleigh and Skeleton Federation | 44,223 | - | 44,223 | 125,586 |
| Trust and other donations | 28,796 | - | 28,796 | 73,464 |
| Other income | 22,738 | - | 22,738 | 38,988 |
| Events cost recovery | - | - | - | 64,751 |
| Winsport donation | - | - | - | 60,409 |
| Events | - | - | - | 45,636 |
| | 3,579,643 | - | 3,579,643 | 3,436,205 |
| EXPENSES | | | | |
| National team - bobsleigh | 1,563,846 | - | 1,563,846 | 1,410,838 |
| National team - skeleton | 411,868 | - | 411,868 | 495,062 |
| Development team - bobsleigh | 335,137 | - | 335,137 | 394,562 |
| Safe sport & gender equity | 279,357 | - | 279,357 | 66,047 |
| General and administrative (Note 7) | 266,370 | 2,101 | 268,471 | 368,744 |
| Amortization | - | 186,656 | 186,656 | 188,524 |
| Development team - skeleton | 137,713 | - | 137,713 | 127,636 |
| Professional fees | 123,583 | - | 123,583 | 250,064 |
| Marketing and sponsorship | 24,000 | - | 24,000 | 24,000 |
| Repairs and maintenance | 16,954 | - | 16,954 | 39,691 |
| Recruitment | 3,808 | - | 3,808 | 21,963 |
| Youth Olympic Games | - | - | - | 4,995 |
| | 3,162,636 | 188,757 | 3,351,393 | 3,392,126 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | \$ 417,007 | \$ (188,757) | \$ 228,250 | \$ 44,079 |

BOBSLEIGH CANADA SKELETON
Statement of Changes in Deficiency
Year Ended March 31, 2021

| | Operating fund | Capital fund | Total 2021 | Total 2020 |
|--|---------------------|-------------------|---------------------|---------------------|
| (DEFICIENCY) NET ASSETS - BEGINNING OF YEAR | \$ (1,066,605) | \$ 342,113 | \$ (724,492) | \$ (768,571) |
| Excess (deficiency) of revenue over expenses | 417,007 | (188,757) | 228,250 | 44,079 |
| Transfer from operating fund to capital fund | (280,145) | 280,145 | - | - |
| (DEFICIENCY) NET ASSETS - END OF YEAR | \$ (929,743) | \$ 433,501 | \$ (496,242) | \$ (724,492) |

BOBSLEIGH CANADA SKELETON**Statement of Cash Flows****Year Ended March 31, 2021**

| | 2021 | 2020 |
|--|----------------------------|----------------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenses | \$ 228,250 | \$ 44,079 |
| Items not affecting cash: | | |
| Amortization | 186,656 | 188,524 |
| Deferred contributions received | - | 25,000 |
| Deferred contributions recognized as revenue | (25,000) | - |
| | <u>389,906</u> | <u>257,603</u> |
| Changes in non-cash working capital: | | |
| Accounts receivable | 49,085 | 145,653 |
| Prepaid expenses | 1,414 | 4,393 |
| Accounts payable and accrued liabilities | (211,546) | (223,105) |
| | <u>(161,047)</u> | <u>(73,059)</u> |
| | <u>228,859</u> | <u>184,544</u> |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (232,997) | (135,104) |
| Proceeds on disposal of property and equipment | - | 17,123 |
| | <u>(232,997)</u> | <u>(117,981)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from CEBA loan, net (Note 8) | 40,000 | - |
| Repayment of obligations under capital lease | (45,047) | (43,288) |
| | <u>(5,047)</u> | <u>(43,288)</u> |
| INCREASE (DECREASE) IN CASH | (9,185) | 23,275 |
| BANK INDEBTEDNESS, NET - Beginning of year | <u>(302,592)</u> | <u>(325,867)</u> |
| BANK INDEBTEDNESS, NET - End of year (Note 5) | <u>\$ (311,777)</u> | <u>\$ (302,592)</u> |

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2021

1. PURPOSE OF THE ORGANIZATION

Bobsleigh Canada Skeleton (the "Organization") is a not-for-profit organization incorporated on March 22, 1990 under the Canada Corporations Act, Part II and continued under Canada Not-for-profit Corporations Act on July 28, 2014. Bobsleigh Canada Skeleton is registered as a tax-exempt Canadian Amateur Athletic Association under the Income Tax Act.

The Organization operates 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.

2. ECONOMIC DEPENDENCE

During the year, the Organization received revenue of \$3,025,340 (2020 - \$2,354,621), which represents 85% (2020 - 70%) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). 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 summarized below.

Cash and cash equivalents

Cash includes cash on hand and bank deposits. Highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a straight-line basis at the following rates:

| | |
|--------------------------|----------|
| Bobsleighs and skeletons | 5 years |
| Tools and materials | 10 years |

The Organization regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Assets under capital leases are initially recorded at the present value of minimum lease payments at the inception of the lease.

(continues)

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Bobsleigh Canada Skeleton follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization maintains the following restricted fund:

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

Event revenues are recognized as revenue of the Operating Fund when the events are held.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of excess of revenue over expenses.

Contributed services

The operations of the Organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation. If fair value cannot be reasonably determined, donated goods are recorded at nominal value.

Research and development

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.

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BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Estimates and assumptions include the estimated useful life of property and equipment for amortization purposes, the net recoverable amount of accounts receivable and property and equipment. By their nature, these estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

Financial instruments

Measurement

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions which are measured at the carrying amount or exchange amount. The Organization subsequently measures all financial assets and liabilities at amortized cost.

Financial assets subsequently measured at amortized cost include cash and accounts receivable.

Financial liabilities subsequently measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities and CEBA loan.

Impairment

Financial assets subsequently measured at amortized cost are tested for impairment when there are indications that an impairment exists. The amount of write-down is recognized as an impairment loss in excess of revenue over expenses. A previously recognized impairment loss may be reversed to the extent of an improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses in the period the reversal occurs.

Transaction costs

The Organization recognizes transaction costs on the financial instruments subsequently measured at fair value in excess of revenue over expenses in the period incurred. Financial instruments subsequently measured at amortized cost are adjusted for financing fees and transaction costs which are directly attributable to that origination and acquisition of the financial instrument.

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2021

4. PROPERTY AND EQUIPMENT

| | Cost | Accumulated amortization | 2021 Net book value | 2020 Net book value |
|--------------------------|---------------------|-----------------------------|------------------------------------|---------------------------|
| Bobsleighs and skeletons | \$ 3,335,330 | \$ 2,888,714 | \$ 446,616 | \$ 398,086 |
| Tools and materials | 158,128 | 144,123 | 14,005 | 16,194 |
| | \$ 3,493,458 | \$ 3,032,837 | \$ 460,621 | \$ 414,280 |

The following assets included above are held under capital lease (Note 7):

| | Cost | Accumulated amortization | 2021 Net book value | 2020 Net book value |
|--------------------------|------------|-----------------------------|------------------------------------|---------------------------|
| Bobsleighs and skeletons | \$ 275,358 | \$ 247,819 | \$ 27,539 | \$ 82,610 |

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 January 15 to June 30 of each year. Both facilities bear interest at the bank's prime interest rate plus 1.10% (2020 - bank's prime interest rate plus 1.10%) per annum. The net bank indebtedness as at March 31, 2021 is \$311,777 (2020 - \$302,592). This amount is net of cash balances of \$3,223 (2020 - \$85,408), with the same lending institution. Interest expenses of \$3,139 (2020 - \$10,489) are included in general and administrative 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. DEFERRED CONTRIBUTIONS

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

| | 2021 | 2020 |
|-----------------------------------|-----------------|------------------|
| Balance, beginning of year | \$ 25,000 | \$ - |
| Contributions provided by funders | - | 25,000 |
| Contributions taken into revenue | (25,000) | - |
| Balance, end of year | \$ - | \$ 25,000 |

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2021

7. OBLIGATIONS UNDER CAPITAL LEASE

| | 2021 | 2020 |
|--|-----------------|------------------|
| Royal Bank of Canada lease bearing interest at 3.99% per annum, repayable in monthly blended payments of \$3,739. The lease matures on October 26, 2021 and is secured by the underlying assets. | \$ 27,120 | \$ 72,167 |
| Amounts payable within one year | <u>(27,120)</u> | <u>(45,047)</u> |
| | <u>\$ -</u> | <u>\$ 27,120</u> |

Interest of \$2,101 (2020 - \$5,078) relating to capital lease obligations has been included in general and administrative expenses under the capital fund.

Future minimum capital lease payments are approximately:

| | |
|---|---------------|
| Total minimum lease payments | \$ 27,481 |
| Less: amount representing interest at 3.99% | <u>(361)</u> |
| Present value of minimum lease payments | 27,120 |
| Less: current portion | <u>27,120</u> |
| | <u>\$ -</u> |

8. CEBA LOAN

During the year, the Organization obtained an interest-free \$60,000 loan from the Government of Canada under the Canada Emergency Business Account. As the stated interest rate of the loan is below market rates, the fair value of the loan is estimated at the present value of all future cash payments discounted using the prevailing market rates of interest for a similar financial instrument with a similar credit rating.

If this loan is repaid prior to December 31, 2022 it will result in loan forgiveness of \$20,000. If the Organization is unable to repay this loan prior to December 31, 2022 the loan will be converted into a 3-year term loan with a fixed interest rate of 5.0%. It is the Organization's opinion that the loan will be repaid by the December 31, 2022 deadline, and therefore all fair value calculations have assumed the Organization will qualify for the \$20,000 forgiveness. The \$20,000 has, therefore, been recognized in other income.

Using a 5.0% interest rate, the fair value of the loan is \$36,723 as at March 31, 2021. The difference between the fair value and the loan balance outstanding is not recognized in excess of revenue over expenses as the amount is not material.

9. SPONSORSHIPS

In accordance with section 7(2)(e) of the Charitable Fundraising Act of Alberta Regulations, the Organization paid \$24,000 of remuneration to a contractor whose principal duties involve soliciting sponsorships.

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2021

10. FINANCIAL INSTRUMENTS

The Organization is exposed to various risks through its financial instruments. The following analysis provides information about the Organization's risk exposure and concentration as of March 31, 2021.

Credit risk

Credit risk arises from the potential that third parties may default on their financial obligations. The Organization is exposed to credit risk on cash and accounts receivable.

The Organization's credit risk exposure on cash is minimized substantially by ensuring that cash is held with credible financial institutions.

The Organization's accounts receivable are due from a diverse group of customers and as such are subject to normal credit risks.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk to the extent of its negative working capital.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk as further described below:

(a) Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the reporting currency of the Organization will fluctuate due to changes in foreign exchange rates. The Organization is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in USD and EURO currencies. The Organization does not use derivative instruments to reduce its exposure to currency risk but holds bank accounts in USD and EURO currencies to mitigate risk in currency fluctuations.

(b) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating and financing activities. The Organization is exposed to interest rate cash flow risk primarily through its floating interest rate on its bank indebtedness and credit facilities.

(c) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization is not exposed to other price risk.

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2021

11. COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. The restrictions put in place by the national, provincial, and municipal governments regarding travel, business operations, and isolation and quarantine protocols has had a significant impact on businesses.

The Organization was able to implement programming and participate in international competitions in the second half of the season while following all restrictions and safety requirements. The Organization received approximately \$560,000 in one-time emergency funding from Sport Canada to support National Sport Organizations activities throughout the pandemic and to cover additional costs, including loss of revenues from other sources. The Organization also applied and qualified for one of the assistance programs that was announced by the Government during 2020 as described in Note 8. The Organization continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis.

At this time, it is unknown the extent of the impact of the COVID-19 pandemic will continue to have on the Organization as this will depend on future developments that are highly uncertain and cannot be predicted with confidence. While the extent of the impact is unknown, the Organization anticipates this outbreak to result in a slowdown of administrative activities including obtaining funding and disruptions to its operations such as cancellation of sporting events, employee impacts from illness, school closures and other response measures.

12. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
