

Bobsleigh Canada Skeleton
Financial Statements
For the year ended March 31, 2014

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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, 2014, the statements of operations and changes in net assets (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 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.

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, 2014 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.

BDO Canada LLP

Chartered Accountants

Calgary, Alberta
July 8, 2014

Bobsleigh Canada Skeleton Statement of Financial Position

As at	March 31, 2014	March 31, 2013 (restated Note 12)
Assets		
Current		
Restricted cash (Note 1)	\$ 4,999	\$ 11,964
Accounts receivable (Notes 5 and 11)	616,593	307,023
Prepaid expenses	11,081	31,700
	632,673	350,687
Property and equipment (Note 4)	474,644	568,280
	\$ 1,107,317	\$ 918,967

Liabilities and Net Assets

Current		
Bank indebtedness (Note 6)	\$ 335,621	\$ 268,982
Current portion of capital lease obligation (Note 7)	-	120,587
Accounts payable and accrued liabilities (Note 11)	1,014,343	901,810
Deferred revenue	-	23,080
	1,349,964	1,314,459
Unrestricted net deficiency	(242,647)	(395,492)
	\$ 1,107,317	\$ 918,967

Commitment (Note 8)

Approved on behalf of the Board:

_____, Director

_____, Director

Bobsleigh Canada Skeleton Statements of Operations and Changes in Net Assets (Deficiency)

For the year ended March 31	2014	2013 (restated Note 12)
Revenues		
Own the Podium	\$ 2,067,622	\$ 1,973,640
Sport Canada	1,196,176	1,288,531
Sponsorship	477,380	49,747
Events	350,493	181,016
Other income	245,568	330,492
Donations	19,866	45,303
	<u>4,357,105</u>	<u>3,868,729</u>
Expenses		
National team - bobsleigh	1,092,733	1,179,350
Salaries and wages	1,062,539	986,507
National team - skeleton	462,525	657,235
Other operating expenses	422,514	155,683
Repairs and maintenance	375,789	398,916
Amortization	234,623	271,328
Events	220,925	180,724
Athlete expenses	127,561	179,120
Administration	88,941	125,166
Advertising and promotion	46,349	44,399
National development team - skeleton	23,661	104,306
Interest on capital lease	18,600	7,294
Interest on bank indebtedness	11,066	6,289
Bad debt	7,644	4,944
National development team - bobsleigh	7,233	69,472
Performance services	4,675	47,073
Recruitment	3,235	25,417
Meetings and conventions	-	1,354
Foreign exchange	(6,353)	(8,391)
	<u>4,204,260</u>	<u>4,436,186</u>
Excess (deficiency) of revenues over expenses	152,845	(567,457)
Net assets (deficiency), beginning of year	(395,492)	171,965
Deficiency, end of year	\$ (242,647)	\$ (395,492)

The accompanying notes are an integral part of these financial statements.

Bobsleigh Canada Skeleton Statement of Cash Flows

For the year ended March 31	2014	2013 (restated Note 12)
Cash from operating activities:		
Excess (deficiency) of revenues over expenses	\$ 152,845	\$ (567,457)
Items not affecting cash:		
Amortization	234,623	271,328
	387,468	(296,129)
Changes in non-cash working capital items:		
Accounts receivable	(309,570)	34,702
Prepaid expenses	20,619	(11,237)
Accounts payable and accrued liabilities	112,533	446,767
Deferred revenue	(23,080)	(23,080)
	187,970	151,023
Cash flows from investing activities:		
Purchase of property and equipment	(140,987)	(43,831)
Decrease in restricted cash	6,965	27,728
	(134,022)	(16,103)
Cash flows from financing activities:		
Increase (decrease) in bank indebtedness	66,639	(19,653)
Payment of capital lease obligation	(120,587)	(115,267)
	(53,948)	(134,920)
Change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -
Non-cash transaction (Note 10)		

The accompanying notes are an integral part of these financial statements.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

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, WinSport Canada 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 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.

Basis of Accounting

The financial statements of the Organization have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). These financial statements have, in management's opinion, been properly prepared within the framework of significant accounting policies described below.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with ASNPO 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 and any residual values.

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 the individual athletes and teams of the Organization. These funds are required to be distributed to the athletes.

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, with one half of the amortization taken in the year of acquisition using the following terms:

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

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies (continued)

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 expense in the statement of operations. Write-downs are not reversed.

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 the liabilities were incurred;
- (iii) revenue and expenses - at the rate of exchange in effect on the transaction date;
- (iv) gains and losses on translation of monetary assets and liabilities are included in operations.

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.

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

Event revenue is recognized when the event has taken place.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies (continued)

Contributed Materials and Services

The Organization receives various contributions in the form of materials or services that 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 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 and development costs are expensed.

Financial Instruments

The Organization's financial instruments are initially measured at fair value. Subsequently they are measured at amortized cost, with the exception of equities which are required to be measured at fair value and any financial instruments which the Organization has designated at fair value, with changes in fair value being reported in the statement of operations.

Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition and sale of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

1. Summary of Significant Accounting Policies (continued)

Leases

Leases entered into by the Organization in which substantially all of the benefits and risks of ownership are transferred to the Organization are recorded as capital leases and classified as property and equipment and obligations under capital lease. Obligations under capital lease reflect the present value of future lease payments, discounted at an appropriate interest rate, and are reduced by lease payments net of imputed interest. Assets under capital lease are amortized based on the estimated useful life of the assets.

All other leases are classified as operating leases and leasing costs are expensed in the period in which they are incurred.

Controlled Entity

Bobsleigh Canada Fund (the "Fund") is controlled by the Organization. Under ASNPO the Organization may either consolidate the Fund or provide a separate note disclosure containing certain financial information about the Fund. The Organization has elected to disclose certain financial information in Note 3.

2. Change in Accounting Policy

The Organization is now accounting for the Fund with note disclosure (Note 3). In previous years the Organization presented the financial information of the Fund in the Statement of Financial Position and the Statement of Operations and Changes in Net Assets (Deficiency). The policy change was made to provide clearer information for the users of the financial statements. Changes as a result of this change in accounting policy for 2013 are as follows:

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

2. Change in Accounting Policy (continued)

	As previously reported	Adjustment due to change in policy	As reported under new policy
Statement of Operations and Changes in Net Assets (Deficiency)			
Loss on investments	\$ 68,014	\$ (68,014)	\$ -
Donation revenue	69,961	(24,658)	45,303
Net assets (deficiency)	53,179	(448,671)	(395,492)
Statement of Financial Position			
Investments	\$ 448,671	\$ (448,671)	-

3. Controlled Entity

The Fund has not been consolidated in the Organization's financial statements. The Fund was created to invest donations with the purpose of supporting the sports of bobsleigh and skeleton in Canada. The summary of financial information for the Fund is as follows:

	2014	2013
Financial Position		
Total assets and net assets	\$ 527,096	\$ 448,671
Results of operations		
Total revenues	\$ 78,425	\$ 24,658
Total expenses	-	(68,014)
	\$ 78,425	\$ (43,356)

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

4. Property and Equipment

Property and equipment consists of the following:

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Bobsleighs and skeletons	\$ 1,524,769	\$ 1,238,561	\$ 286,208	\$ 301,578
Bobsleighs - under capital lease	365,493	182,747	182,746	255,845
Office and electronic equipment	198,661	194,783	3,878	8,714
Tools and materials	137,392	135,580	1,812	2,143
Total	\$ 2,226,315	\$ 1,751,671	\$ 474,644	\$ 568,280

Amortization expense related to the capital leases was \$73,099 (2013 - \$73,099).

5. Accounts Receivable

Accounts receivable includes \$9,502 (2013 - \$12,202), representing GST due from the government.

6. Bank Indebtedness

	2014	2013
Deposits received (cheques issued) in excess of funds on deposit	\$ (5,621)	\$ 19,018
Revolving demand facility	(330,000)	(288,000)
	\$ (335,621)	\$ (268,982)

The bank has provided a revolving demand facility of up to a maximum of \$300,000 (2013 - \$300,000) bearing interest at the bank's prime interest rate plus 1.10% (2013 - prime + 1.10%) per annum. During the year, the Organization was granted a temporary extension to \$340,000 until April 15, 2014. This facility and the overdraft are secured by a general security agreement constituting a first ranking security in all property of the Organization.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

7. Capital Lease Obligation

	2014	2013
Agreement with Eurotech, minimum lease payments payable net of imputed interest at the Organization's incremental borrowing rate of 4.1% (2013 - 4.1%), secured by specific assets with a net book value of \$182,746 (2013 - \$255,845), maturing March 2014.	\$ -	\$ 120,587
Less: current portion	-	(120,587)
Long-term portion	\$ -	-

8. Commitment

The Organization's total obligation, under various operating leases for occupied premises, exclusive of realty taxes and other occupancy charges, are \$20,656 for 2015.

9. Economic Dependence

During the year, the Organization received revenue of \$3,263,798 (2013 - \$3,262,387), which represents 75% (2013 - 84%) of its revenues, from two (2013 - two) programs.

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 June 30, 2014.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

10. Contributed Materials and Services

Adidas provided value in kind clothing and gear worth \$180,000 (2013 - \$180,000).

During the year BMW (2013 - KBC) provided 80 (2013 - 80) helmets in kind at an estimated price of \$600 (2013 - \$50) per helmet totaling \$48,000 (2013 - \$4,000).

11. Related Party Transaction

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 \$10,858 (2013 - \$1,619) and travel costs totaling \$34,084 (2013 - \$585). At year end, \$10,337 (2013 - \$258) 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 \$46,725 (2013 - \$13,333). At year end, \$32,726 (2013 - \$18,681) 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 \$302,961 (2013 - \$436,000) and Own the Podium revenue totaling \$1,279,872 (2013 - \$1,851,515) included in Sport Canada and Own the Podium revenue line items. At year end, \$105,413 (2013 - \$7,500) of this amount is included in accounts receivable. At year end, \$Nil (2013 - \$5,000) is included in accounts payable and accrued liabilities as a result of a cash advance.

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

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

12. Prior Period Adjustment

During the year, it was determined that the prior year's financial statements required correction for an error. Invoices related to expenses incurred during 2013 were not accrued for in the March 31, 2013 financial statements.

The effects of the Organization's restatement on the March 31, 2013 financial statements are summarized as follows:

	As Previously Reported	Prior Period Adjustment	As Restated
Statement of Operations and Changes in Net Assets (Deficiency)			
Other operating expenses	\$ 67,994	\$ 87,689	\$ 155,683
Net deficiency	(307,803)	(87,689)	(395,492)
Statement of Financial Position			
Accounts payable and accrued liabilities	814,121	87,689	901,810
Total liabilities	\$ 1,226,770	\$ 87,689	\$ 1,314,459

13. Financial Instruments

As disclosed in Note 1, 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.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2014

13. Financial Instruments (continued)

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. 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.

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 transaction 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. Management has also secured funding and is constantly seeking sponsorships and additional funding sources. In addition, the athletes arrange fundraising events to bring in additional cash.