Financial Statements of

BOBSLEIGH CANADA SKELETON

Year ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bobsleigh Canada Skeleton

We have audited the accompanying financial statements of Bobsleigh Canada Skeleton, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in deficiency and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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, the financial statements present fairly, in all material respects, the financial position of Bobsleigh Canada Skeleton as at March 31, 2018, 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.

KPMG LLP

Chartered Professional Accountants

September 6, 2018
Calgary, Canada

BOBSLEIGH CANADA SKELETON

Statement of Financial Position

March 31, 2018, with comparative information for 2017

		Operating fund		Capital fund		2018 Total		2017 Total
								(note 2(a))
Assets								
Current assets:								
Restricted cash	$	–	$	–	$	–	$	38
Accounts receivable (notes 3 and 9)		173,490		–		173,490		227,595
Prepaid expenses		16,961		–		16,961		11,154
		190,451		–		190,451		238,787
Property and equipment (note 4)		–		691,727		691,727		541,996
	$	190,451	$	691,727	$	882,178	$	780,783
Liabilities and Deficiency								
Current liabilities:								
Bank indebtedness, net (note 5)	$	264,764	$	–	$	264,764	$	354,611
Accounts payable and accrued liabilities (note 5)		940,978		–		940,978		667,995
Deferred contributions (note 6)		125,000		–		125,000		110,000
Current portion of obligations under capital lease (note 7)		–		41,598		41,598		39,974
		1,330,742		41,598		1,372,340		1,172,580
Obligations under capital lease (note 7)		–		115,456		115,456		157,054
		–		115,456		115,456		157,054
Excess (deficiency)		(1,140,291)		534,673		(605,618)		(548,851)
	$	190,451	$	691,727	$	882,178	$	780,783

See accompanying notes to financial statements.

Approved on behalf of the Board:

__________________________ Director

__________________________ Director

BOBSLEIGH CANADA SKELETON

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Operating fund	Capital fund	2018 Total	2017 Total (note 2(a))
Revenue:				
Sport Canada (note 8)	$ 1,890,173	$ 78,744	$ 1,968,917	$ 1,658,172
Canada Olympic Committee	442,750	–	442,750	238,408
Events	327,340	–	327,340	295,929
Sponsorship	227,759	–	227,759	193,276
Fédération Internationale de Bobsleigh et de Tobogganing	220,761	–	220,761	123,651
Athlete Membership and Program Fees	174,608	–	174,608	207,679
Trust and Other Donations	132,469	–	132,469	61,125
Other	33,954	50,000	83,954	60,688
Gain on sale of equipment	–	15,000	15,000	50,275
	3,449,814	143,744	3,593,558	2,889,203
Expenses:				
National Team – Bobsleigh	2,084,301	–	2,084,301	1,436,814
National Team – Skeleton	671,936	–	671,936	554,419
General Expenses and Administrative Salaries (note 7)	237,709	7,135	244,844	217,644
Events	206,245	–	206,245	267,730
Amortization of Property and Equipment	–	196,487	196,487	186,311
Development Team – Bobsleigh	147,707	–	147,707	294,463
Marketing and Sponsorship	40,996	–	40,996	40,996
Development team – Skeleton	21,805	–	21,805	19,225
Repairs and Maintenance	18,504	–	18,504	31,508
Recruitment	17,500	–	17,500	36,921
	3,446,703	203,622	3,650,325	3,086,031
Excess (deficiency) of revenue over expenses	$ 3,111	$ (59,878)	$ (56,767)	$ (196,828)

See accompanying notes to financial statements.

BOBSLEIGH CANADA SKELETON

Statement of Change in Deficiency

Year ended March 31, 2018, with comparative information for 2017

	Operating fund	Capital fund	2018 Total	2017 Total
Excess (deficiency), beginning of year (note 2(a))	$ (1,143,402)	$ 594,551	$ (548,851)	$ (352,023)
Excess (deficiency) of revenue over expenses	3,111	(59,878)	(56,767)	(196,828)
Excess (deficiency), end of year	$ (1,140,291)	$ 534,673	$ (605,618)	$ (548,851)

See accompanying notes to financial statements.

BOBSLEIGH CANADA SKELETON

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (56,767)	$ (196,828)
Item not affecting cash:		
Gain on disposal of equipment	(15,000)	(50,275)
Amortization of property and equipment	196,487	186,311
Deferred contributions recognized as revenue (note 6)	(110,000)	(67,000)
	14,720	(127,792)
Change in non-cash working capital		
Accounts receivable	54,105	33,098
Prepaid expenses	(5,807)	(11,154)
Accounts payable and accrued liabilities	272,983	26,203
Deferred contributions received (note 6)	125,000	177,000
	461,001	97,355
Financing:		
(Decrease) increase in bank indebtedness	(89,847)	6,425
Advances of obligations under capital lease	–	289,828
Repayments of obligations under capital lease	(39,974)	(92,800)
	(129,821)	203,453
Investing:		
Purchase of property and equipment	(346,218)	(351,242)
Proceeds on disposal of equipment	15,000	50,275
Decrease in restricted cash	38	159
	(331,180)	(300,808)
Change in cash	–	–
Cash, beginning of year	–	–
Cash, end of year	$ –	$ –

See accompanying notes to financial statements.

1. 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 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 Organizations is allocated its proportionate share of Sport Canada funding by Bobsleigh Luge Skeleton Canada.

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

2. Significant accounting policies:

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

(a) Revenue recognition and change in accounting policy:

During the year, the Organization changed its accounting policy for revenue recognition from the deferral method of accounting for contributions to the restricted fund method. The change in policy is to allow for more relevant information to be presented to the users of the financial statements.

The impact of this change in accounting policy is that 2017 opening deficiency was decreased by $49,127, 2017 revenue increased and deficiency of revenue over expense decreased by $10,718, the deferred capital contribution balance was decreased to $nil from $36,845, and the deferred contribution balance was decreased from $133,000 to $110,000.

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:

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

2. Significant accounting policies: (continued)

(a) Revenue recognition and change in accounting policy (continued):

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. 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:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or 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 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) 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.

2. Significant accounting policies (continued):

(d) Property and equipment:

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

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

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.

(e) 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.

(f) 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.

(g) 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.

2. Significant accounting policies (continued):

(h) 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.

(i) Cash offsetting:

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

(j) 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. 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 $56,102 (2017 - $56,307), representing GST due from the government.

4. Property and equipment:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Bobsleighs and skeletons	$ 2,512,313	$ 2,026,296	$ 486,017	$ 292,163
Bobsleighs and skeletons under capital lease	275,358	82,606	192,752	247,823
Office and electronic equipment	201,065	201,065	–	1,191
Tools and materials	150,599	137,641	12,958	819
	$ 3,139,335	$ 2,447,608	$ 691,727	$ 541,996

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 2nd facility can only be drawn on from January 15 to April 30. Both facilities bear interest at the bank's prime interest rate plus 1.10% (2017 – bank's prime rate plus 1.10%) per annum. Total bank indebtedness at year-end March, 31 2018 is $264,764 (2017 - $354,611). This amount is net of cash balances of $85,167 (2017 - $5,389), with the same lending institution.

Other facilities available to the Organization include a VISA card facility with a maximum of $100,000. Included in accounts payable and accrued liabilities is $96,163 (2017 - $98,399) owing on this facility.

Borrowings are secured by Sport Canada funding and does not require financial covenants be met.

6. Deferred contributions:

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

	2018	2017
Balance, beginning of year	$ 110,000	$ –
Contributions provided by funders	125,000	177,000
Contributions taken into revenue	(110,000)	(67,000)
Balance, end of year	$ 125,000	$ 110,000

7. 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:

2019	$ 47,109
2020	47,109
2021	47,109
2022	27,481
Total minimum lease payments	168,808
Less amount representing interest	11,754
Present value of net minimum capital lease payments	157,054
Current portion of obligations under capital leases	41,598
	$ 115,456

Interest of $7,135 (2017 - $2,728) relating to capital lease obligations has been included in general expenses and administrative salaries.

8. Economic dependence:

During the year, the Organization received revenue of $1,968,917 (2017 - $1,658,172), which represents 54% (2017 – 57%) of its revenues, from Sport Canada.

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.

9. Related party transactions:

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

(a) Bobsleigh Luge Skeleton Canada, an organization related by common control, distributed to the Organization, core Sport Canada revenue totaling $415,172 (2017 - $413,172), Sports Canada Excellence revenue totaling $1,375,000 (2017 - $1,145,000) and event grants of $60,000 (2017 - $50,000). All amounts are included in the Sport Canada revenue line item. At year end, $nil (2017 - $2,500) of this amount is included in accounts receivable.

9. Related party transactions: (continued)

(b) Accounts payable to a key management personnel at March 31, 2018 is $33,483 (2017 - $23,851). Amounts payable relate to general business expenses incurred on behalf of the Organization.

These transactions are in the normal course of operations and have been valued in these financial statements 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. 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: (continued)

(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.

11. Comparative information:

Certain comparative figures have been reclassified to be consistent with current year presentation.