

Financial Statements of

BOBSLEIGH CANADA SKELETON

March 31, 2011

Independent Auditor's Report

To the Members 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, 2011, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bobsleigh Canada Skeleton as at March 31, 2011, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements of Bobsleigh Canada Skeleton as at March 31, 2010 and for the year then ended were audited by another firm of chartered accountants who provided an unqualified auditors' report dated July 15, 2010.

Calgary, Alberta
July 18, 2011

Deloitte + Touche LLP

Chartered Accountants

BOBSLEIGH CANADA SKELETON

Statement of Revenue and Expenses Year Ended March 31, 2011

	2011	2010
	\$	\$
REVENUE		
Sport Canada	642,264	570,529
Canadian Olympic Committee	1,646,286	2,042,034
Sponsorship and donations	807,261	803,897
Events	387,161	143,100
Other income	224,331	166,591
	<u>3,707,303</u>	<u>3,726,151</u>
EXPENSES		
Salaries and wages	999,679	1,125,417
National team - bobsleigh	434,087	872,371
Events	404,392	112,850
Repairs and maintenance	346,553	126,960
National development team - bobsleigh	339,017	133,247
National team - skeleton	336,452	412,605
Amortization	287,676	251,313
Administrative	226,574	218,775
National development team - skeleton	201,985	62,803
Performance services	104,569	68,050
Advertising and promotion	68,147	49,952
Pacific sport	58,499	29,878
Athlete prize money	38,606	-
Recruitment	37,035	73,557
Meetings and conventions	21,780	11,132
LT athlete development	8,306	21,397
Research and development	-	141,138
Skeleton - Olympic winter games	-	119,790
Athlete development surplus rebates	-	92,687
	<u>3,913,357</u>	<u>3,923,922</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>(206,054)</u>	<u>(197,771)</u>

BOBSLEIGH CANADA SKELETON

Statement of Financial Position

March 31, 2011

	2011	2010
	\$	\$
ASSETS		
CURRENT		
Accounts receivable (Note 10)	257,176	219,110
Goods and Services Tax recoverable	-	28,034
Prepaid expenses	14,843	14,843
	<u>272,019</u>	<u>261,987</u>
Property and equipment (Note 5)	628,017	738,990
Investments (Note 4)	571,474	390,813
	<u>1,471,510</u>	<u>1,391,790</u>
LIABILITIES		
CURRENT		
Bank indebtedness (Note 6)	205,733	29,277
Accounts payable and accrued liabilities (Note 10)	634,702	637,891
	<u>840,435</u>	<u>667,168</u>
NET ASSETS		
Unrestricted	3,058	(14,368)
Internally restricted - investment in property and equipment	628,017	738,990
	<u>631,075</u>	<u>724,622</u>
	<u>1,471,510</u>	<u>1,391,790</u>

APPROVED BY THE BOARD

..... Director

..... Director

BOBSLEIGH CANADA SKELETON

Statement of Cash Flows Year Ended March 31, 2011

	2011	2010
	\$	\$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Deficiency of revenue over expenses	(206,054)	(197,771)
Adjustments for:		
Gain on sale of property and equipment	(7,000)	-
Amortization	346,553	251,313
	<u>133,499</u>	<u>53,542</u>
Changes in non-cash working capital:		
Accounts receivable	(38,066)	(12,692)
Goods and Services Tax recoverable	28,034	88
Prepaid expenses	-	24,971
Accounts payable and accrued liabilities	(3,189)	341,277
	<u>120,278</u>	<u>407,186</u>
INVESTING		
Purchase of property and equipment	(235,580)	(328,713)
Proceeds on disposal of property and equipment	7,000	-
Proceeds on marketable securities	-	49,374
Purchase of marketable securities	(68,154)	(14,439)
	<u>(296,734)</u>	<u>(293,778)</u>
NET (DECREASE) INCREASE IN CASH	<u>(176,456)</u>	<u>113,408</u>
BANK INDEBTEDNESS, BEGINNING OF YEAR	<u>(29,277)</u>	<u>(142,685)</u>
BANK INDEBTEDNESS, END OF YEAR	<u>(205,733)</u>	<u>(29,277)</u>
Represented by:		
Cheques issued in excess of funds on deposit	(185,733)	(29,277)
Line of credit	(20,000)	-
	<u>(205,733)</u>	<u>(29,277)</u>

BOBSLEIGH CANADA SKELETON

Statement of Changes in Net Assets Year Ended March 31, 2011

	Unrestricted	Internally restricted - Investment in property and equipment	2011	2010
	\$	\$	\$	\$
NET ASSETS, BEGINNING OF YEAR	(14,368)	738,990	724,622	759,610
Deficiency of revenue over expenses	(206,054)	-	(206,054)	(197,771)
Unrealized gain on available-for-sale investments	112,507	-	112,507	162,783
Investment in property and equipment	110,973	(110,973)	-	-
NET ASSETS, END OF YEAR	3,058	628,017	631,075	724,622

Notes to the Financial Statements
Year Ended March 31, 2011

1. NATURE OF OPERATIONS

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

Bobsleigh Luge Skeleton Canada, an organization that acts to coordinate the activities of Bobsleigh Canada Skeleton and the Canadian Luge Association, provides administration and fundraising support to the 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 Association is allocated its proportionate share of Sport Canada funding by Bobsleigh and Luge Canada.

As a non-profit Organization, the Association is exempt from income taxes under Section 149(1)(L) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the following significant accounting policies:

Property and equipment

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

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

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that an asset can no longer be used as originally expected and their carrying amounts may not be fully recoverable. An impairment loss is recognized when and to the extent that management assesses the future useful life of an asset to be less than originally estimated.

Notes to the Financial Statements
Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Foreign currency translation

The Association has transactions in foreign currency, which are translated into Canadian dollars, whereby monetary items are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the exchange rate in effect when each of the items is recognized.

Contributions

Contributed materials and services, which would otherwise be purchased and utilized by the Association, are recorded at fair value in the corresponding revenue and expense accounts when provided. The Association 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.

Revenue recognition

The Association follows the deferral method of accounting for contributions. 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 if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income and donation income are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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.

Notes to the Financial Statements
Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

The Association follows the requirements of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3861 and has not adopted the provisions of Handbook Section 3862, Financial Instruments - Disclosures, or Section 3863, Financial Instruments - Presentation.

The Association has classified its financial instruments as follows:

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

Held-for-trading items are carried at fair value, with changes in their fair values recognized in the statement of revenue and expenses in the current period.

Available-for-sale investments are measured at fair value and the corresponding unrealized gains and losses are recognized in unrestricted net assets in the period in which they arise, unless an unrealized loss is considered to be other than temporary, in which case the loss is recognized as an expense. Once the gains or losses are realized, the corresponding unrealized component included in net assets is derecognized and the realized gain or loss is included in realized gain or loss on available-for-sale investments in the statement of revenue and expenses in the period in which they are realized.

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

The Association assesses at each statement of financial position date whether financial assets are permanently impaired. If there is objective evidence that an impairment loss exists, the amount of the loss is measured as the difference between the carrying amount of the asset and its fair value. The carrying amount of the asset is reduced and the amount of the loss is recognized as an expense.

Transaction costs

Transaction costs incurred for the acquisition or disposition of all financial assets and liabilities are recorded in the statement of revenue and expenses when incurred.

Notes to the Financial Statements
Year Ended March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and development costs

The Association incurs costs on activities that relate to research and development of composition of runners and sled materials. Research costs are expensed as they are incurred. Development costs are also expensed unless they meet the specified criteria related to technical, market and financial feasibility, in which case they are deferred until use has begun. Upon commencement of commercial production or use, the related costs are amortized over the estimated useful life from the date of completion of the project.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates pertain to the allowance for doubtful accounts, the estimated useful life and potential impairment of property and equipment, accrued liabilities and potential contingencies. Actual results could differ from these estimates.

3. FUTURE ACCOUNTING CHANGE

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for the annual reporting period that commences on or after January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and Canadian accounting standards for not-for-profit organizations, whichever accounting framework suits them best. Early adoption of these standards is permitted. The Association currently plans to adopt the new Canadian accounting standards for not-for-profit organizations for its fiscal year beginning April 1, 2012 and has not yet determined the impact of adoption.

Notes to the Financial Statements
Year Ended March 31, 2011

4. INVESTMENTS

	2011	2010
	\$	\$
Cash and cash equivalents	1,942	9,945
Equities	569,532	380,868
	571,474	390,813

Equities include stocks and mutual funds publicly traded on Canadian markets. The investments are managed by a board of trustees appointed by the Bobsleigh Canada Fund. They are held by the Association in trust for the Bobsleigh Canada Fund to further the objectives of the Canadian Bobsleigh Team, namely to grant funds to the national team or its associated provincial teams to support the development of athletes and acquisition of racing equipment. These are limited to fund equipment purchases and are not at the discretion of the Association.

5. PROPERTY AND EQUIPMENT

	2011		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Bobsleighs and skeletons	1,334,662	749,443	585,219
Office and electronic equipment	195,220	156,134	39,086
Tools and materials	137,392	133,680	3,712
	1,667,274	1,039,257	628,017
	2010		
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Bobsleighs and skeletons	1,202,263	548,374	653,889
Office and electronic equipment	190,916	123,266	67,650
Tools and materials	137,392	119,941	17,451
	1,530,571	791,581	738,990

Notes to the Financial Statements
Year Ended March 31, 2011

6. BANK INDEBTEDNESS

Bank indebtedness is comprised of:

	<u>2011</u>	<u>2010</u>
	\$	\$
Cheques issued in excess of funds on deposit	185,733	29,277
Revolving demand facility	<u>20,000</u>	-
	<u>205,733</u>	<u>29,277</u>

The bank has provided a revolving demand facility of up to a maximum of \$300,000 bearing interest at the bank's prime interest rate plus 1.1% per annum. This facility and the overdraft are secured by a general security agreement constituting a first ranking security in all property of the Association.

7. CONTINGENT LIABILITY

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

8. ECONOMIC DEPENDENCE

The Association'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. MANAGEMENT OF CAPITAL

The Association's objective when managing capital is to ensure it has adequate cash flow to maintain operations and potentially fund capital projects. Management and the board of directors carefully consider its activities to ensure that sufficient funds will be available to meet the Association's short and long-term objectives.

Notes to the Financial Statements
Year Ended March 31, 2011

10. RELATED PARTY TRANSACTIONS

As at March 31, 2011, there was \$13,000 (2010 - \$Nil) receivable from and \$13,604 (2010 - \$Nil) payable to Bobsleigh and Luge Canada, an organization related by common directors. Funding was also received from this entity during fiscal 2010 and 2011.

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

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

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

Portfolio risk

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

Foreign exchange risk

The Association is exposed to foreign exchange risk as a portion of its payables is denominated in foreign currencies other than Canadian dollars. The Association does not hedge against these currency fluctuations as the turnover of the related foreign payables is relatively short.

Credit risk

The Association 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 Association's accounts receivables are usually with organizations related to the Association's activities, which minimizes the concentration of credit risk.

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

**Notes to the Financial Statements
Year Ended March 31, 2011**

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Interest rate risk

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