

BOBSLEIGH CANADA SKELETON
Financial Statements
Year Ended March 31, 2023

BOBSLEIGH CANADA SKELETON

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Year Ended March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bobsleigh Canada Skeleton

Opinion

We have audited the financial statements of Bobsleigh Canada Skeleton (the "Organization"), which comprise the statement of financial position as at March 31, 2023, 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, 2023, 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 ("ASNPO").

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 *Auditor's 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.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1 to the financial statements, which indicates that Organization is in a probationary period with Sport Canada. Continued funding from Sport Canada is dependent upon the Organization successfully complying with the terms of the probationary period. Due to the uncertainty of continued fundings from Sport Canada, a material uncertainty exists that may cast significant doubt on the Organization's ability to continue as a going concern, as they are economically dependent upon funding from Sport Canada. Our opinion is not modified in respect of this matter.

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 ASNPO, 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.

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Auditor's 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 auditor's 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 auditor's 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 auditor's 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
November 16, 2023

Buchanan Barry LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

BOBSLEIGH CANADA SKELETON

Statement of Financial Position

March 31, 2023

	Operating Fund	Capital Fund	Total 2023	Total 2022
ASSETS				
CURRENT				
Accounts receivable	\$ 15,931	\$ -	\$ 15,931	\$ 7,127
Prepaid expenses	26,373	-	26,373	1,351
	42,304	-	42,304	8,478
CAPITAL ASSETS (Note 4)	-	332,749	332,749	485,694
	\$ 42,304	\$ 332,749	\$ 375,053	\$ 494,172
LIABILITIES				
CURRENT				
Bank indebtedness, net (Note 5)	\$ 1,463	\$ -	\$ 1,463	\$ 369,892
Accounts payable and accrued liabilities	501,491	-	501,491	402,782
Canada emergency business account ("CEBA") loan (Note 6)	40,000	-	40,000	-
Current portion of obligations under capital lease (Note 7)	-	28,657	28,657	28,657
	542,954	28,657	571,611	801,331
CANADA EMERGENCY BUSINESS ACCOUNT ("CEBA") LOAN (Note 6)	-	-	-	40,000
OBLIGATIONS UNDER CAPITAL LEASE (Note 7)	-	128,386	128,386	128,386
	542,954	157,043	699,997	969,717
NET DEFICIENCY				
(DEFICIENCY) NET ASSETS	(500,650)	175,706	(324,944)	(475,545)
	\$ 42,304	\$ 332,749	\$ 375,053	\$ 494,172

ECONOMIC DEPENDENCE (Note 2)

APPROVED ON BEHALF OF THE BOARD

_____ Director

_____ Director

BOBSLEIGH CANADA SKELETON

Statement of Operations

Year Ended March 31, 2023

	Operating Fund	Capital Fund	Total 2023	Total 2022
REVENUE				
Sport Canada (Note 2)	\$ 2,112,722	\$ -	\$ 2,112,722	\$ 3,003,168
Canada Olympic Committee	175,000	-	175,000	412,600
International Bobsleigh and Skeleton Federation	137,463	-	137,463	210,530
Events	84,197	-	84,197	144,539
Athlete membership and program fees	14,010	-	14,010	19,220
Other income	2,552	-	2,552	38,333
Trust and other donations	1,779	-	1,779	16,135
Sponsorship	-	-	-	278,176
	2,527,723	-	2,527,723	4,122,701
EXPENSES				
National team - bobsleigh General and administrative (Note 7)	1,511,562	-	1,511,562	2,286,585
National team - skeleton	221,515	7,970	229,485	302,166
Safe sport & gender equity	163,077	-	163,077	461,788
Amortization of capital assets	155,114	-	155,114	202,572
Development team - bobsleigh	-	152,947	152,947	191,651
Marketing and sponsorship (Note 8)	75,724	-	75,724	240,179
Professional fees	41,855	-	41,855	27,074
Development team - skeleton	31,605	-	31,605	40,795
Recruitment	12,616	-	12,616	150,023
Repairs and maintenance	1,938	-	1,938	4,904
Events	1,199	-	1,199	46,098
	-	-	-	148,169
	2,216,205	160,917	2,377,122	4,102,004
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 311,518	\$ (160,917)	\$ 150,601	\$ 20,697

BOBSLEIGH CANADA SKELETON
Statement of Changes in Deficiency
Year Ended March 31, 2023

	Operating Fund	Capital Fund	2023	2022
(DEFICIENCY) NET ASSETS - BEGINNING OF YEAR	\$ (804,198)	\$ 328,653	\$ (475,545)	\$ (496,242)
Excess (deficiency) of revenue over expenses	311,518	(160,917)	150,601	20,697
Transfer from operating fund to capital fund	(7,970)	7,970	-	-
(DEFICIENCY) NET ASSETS - END OF YEAR	\$ (500,650)	\$ 175,706	\$ (324,944)	\$ (475,545)

BOBSLEIGH CANADA SKELETON**Statement of Cash Flows****Year Ended March 31, 2023**

	2023	2022
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 150,601	\$ 20,697
Items not affecting cash:		
Amortization of capital assets	152,947	191,651
Contributed capital assets <i>(Note 4)</i>	-	(19,831)
	<u>303,548</u>	<u>192,517</u>
Changes in non-cash working capital:		
Accounts receivable	(8,804)	77,053
Prepaid expenses	(25,022)	6,931
Accounts payable and accrued liabilities	98,707	(267,646)
	<u>64,881</u>	<u>(183,662)</u>
	<u>368,429</u>	<u>8,855</u>
INVESTING ACTIVITY		
Purchase of capital assets	-	(196,893)
	<u>-</u>	<u>(196,893)</u>
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	-	(27,120)
Proceeds from sales leaseback <i>(Note 7)</i>	-	157,043
	<u>-</u>	<u>129,923</u>
(INCREASE) DECREASE IN BANK INDEBTEDNESS	368,429	(58,115)
BANK INDEBTEDNESS, NET -		
Beginning of year	<u>(369,892)</u>	<u>(311,777)</u>
BANK INDEBTEDNESS, NET - End of year <i>(Note 5)</i>	\$ (1,463)	\$ (369,892)

NON-CASH TRANSACTION *(Note 4)*

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2023

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. At the time of the approval of the financial statements, the Organization was in a probationary period with Sport Canada. Continued funding from Sport Canada is dependent upon the Organization successfully complying with the terms of the probationary period which is a four-step process. Two of the four steps have been completed to date, and the Organization expects to complete all four steps. Due to the uncertainty of continued funding from Sport Canada, and other sources, there is material uncertainty in the Organization's ability to continue as a going concern, as they are economically dependent upon funding from Sport Canada (Note 2).

2. ECONOMIC DEPENDENCE

During the year, the Organization received revenue of \$2,112,722 (2022 - \$3,003,168), which represents 84% (2022 - 73%) 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.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

Bobsleigh and skeletons	5 years
Tools and materials	10 years

The Organization regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2023

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

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

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.

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BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2023

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

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.

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 capital assets for amortization purposes, the net recoverable amount of accounts receivable, the estimated fair market value of donated good, the fair value or replacement cost of capital assets in the event of a write-down, and the going concern assumption. 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, 2023

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Bobsleighs and skeletons	\$ 3,343,314	\$ 3,020,507	\$ 322,807	\$ 473,721
Tools and materials	20,736	10,795	9,941	11,973
	\$ 3,364,050	\$ 3,031,302	\$ 332,748	\$ 485,694

In the year ended March 31, 2022, the Organization received two donated bobsleigh runners with a total fair value of \$19,831 at the date of contribution. This donation was included as income of the capital fund. As the transaction was non-cash in nature, it was excluded from the statement of cash flows.

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

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Bobsleighs and skeletons	\$ 145,809	\$ 58,324	\$ 87,485	\$ 116,647

5. BANK INDEBTEDNESS

The Organization has access to two revolving demand facilities of \$400,000 and \$100,000 for a total of \$500,000. 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% (2022 - bank's prime interest rate plus 1.10%) per annum. The net bank indebtedness as at March 31, 2023 is \$1,463 (2022 - \$369,892). This amount is net of cash balances of \$8,537 (2022 - \$5,108), with the same lending institution. Interest expenses of \$12,392 (2022 - \$5,426) are included in a 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.

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2023

6. CEBA LOAN

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

If this loan is repaid prior to December 31, 2023 it will result in loan forgiveness of \$20,000. If the Organization is unable to repay this loan prior to December 31, 2023 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, 2023 deadline, and therefore all fair value calculations have assumed the Organization will qualify for the \$20,000 forgiveness. The \$20,000 was recognized in other income in the year ended March 31, 2021. The loan is classified as current, reflecting management's intention to pay the loan prior to December 31, 2023. In the event that the loan is not repaid by that time, an adjustment to the carrying value of the loan would be made, resulting in a charge on the statement of operations of \$20,000 in the year ended March 31, 2024. On September 14, 2023, the government announced a grace period that can be applied for that allows repayment by March 28, 2024, if the loan holder submits a refinancing loan application.

7. OBLIGATIONS UNDER CAPITAL LEASE

	<u>2023</u>	<u>2022</u>
Royal Bank of Canada lease bearing interest at 4.49% per annum, repayable in monthly blended payments of \$2,927. The lease matures on April 21, 2027 and is secured by the underlying assets (Note 4).	\$ 157,043	\$ 157,043
Amounts payable within one year	<u>(28,657)</u>	<u>(28,657)</u>
	<u>\$ 128,386</u>	<u>\$ 128,386</u>

The Organization has not made principal payments on this capital lease obligation during the year ended March 31, 2023.

Interest of \$7,970 (2022 - \$1,323) relating to capital lease obligations has been included in general and administrative expenses under the capital fund.

Future minimum capital lease payments are approximately:

2024	\$ 35,126
2025	35,126
2026	35,126
2027	<u>69,420</u>
Total minimum payments	174,798
Less interest amount at 4.49%	<u>(17,756)</u>
	<u>\$ 157,042</u>

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2023

8. SPONSORSHIPS

Included in marketing and sponsorship expense on the statement of operations is \$nil (2022 - \$24,000) of remuneration to a contractor whose principal duties involve soliciting sponsorships.

9. RELATED PARTY TRANSACTIONS

As at March 31, 2023, the Organization has a payable balance of \$35,484 arising from expenses incurred in the year to be reimbursed to a former member of the Board of Directors which is included in accounts payable.

BOBSLEIGH CANADA SKELETON

Notes to Financial Statements

Year Ended March 31, 2023

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, 2023.

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 rate risk, interest rate risk and other price risk as more fully 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 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. The Organization has \$16,691 and \$12,723 of payables denominated in EURO and USD, respectively; and \$4,232 and \$NIL of cash balances denominated in EURO and USD, respectively.

(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.
