

Bobsleigh Canada Skeleton
Financial Statements
For the year ended March 31, 2015

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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 (the "Organization"), which comprise the statement of financial position as at March 31, 2015, the statements of operations and changes in net 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 Organization'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 Organization'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, 2015, 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.

Chartered Accountants

Calgary, Alberta
September 9, 2015

Bobsleigh Canada Skeleton Statement of Financial Position

March 31	2015	2014
Assets		
Current		
Restricted cash (Note 1)	\$ 75	\$ 4,999
Accounts receivable (Notes 2 and 7)	448,848	616,593
Prepaid expenses	6,695	11,081
	455,618	632,673
Property and equipment (Note 4)	383,605	474,644
	\$ 839,223	\$ 1,107,317

Liabilities and Net Assets

Current		
Bank indebtedness (Note 5)	\$ 269,170	\$ 335,621
Accounts payable and accrued liabilities (Note 7)	804,631	1,069,646
Deferred revenue	31,500	-
	1,105,301	1,405,267
Unrestricted net deficiency	(266,078)	(297,950)
	\$ 839,223	\$ 1,107,317

Approved on behalf of the Board:

_____, Director

_____, Director

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

Bobsleigh Canada Skeleton Statements of Operations and Changes in Net Deficiency

For the year ended March 31	2015	2014 (As restated) Note 8
Revenue		
Own the Podium (Note 7)	\$ 1,585,469	\$ 2,960,837
Sport Canada (Note 7)	413,172	302,961
Events	352,945	350,493
Sponsorship	313,000	477,380
Other income	296,972	245,568
Canadian Olympic Committee	82,687	-
Donations	1,154	19,866
	<u>3,045,399</u>	<u>4,357,105</u>
Expenses		
National team - bobsleigh	1,169,034	1,290,250
Salaries and wages	757,344	1,062,539
Other operating expenses	26,448	280,300
Events	221,927	220,925
Amortization	188,866	234,623
Repairs and maintenance	175,770	375,789
Administration	141,564	88,941
National team - skeleton	132,043	462,525
National development team - bobsleigh	74,150	7,233
Athlete expenses	63,268	127,561
Advertising and promotion	41,261	46,349
National development team - skeleton	8,994	23,661
Interest on bank indebtedness	8,160	11,066
Recruitment	6,702	3,235
Performance services	53	4,675
Interest on capital lease	-	18,600
Bad debts	-	7,644
Foreign exchange	(2,057)	(6,353)
	<u>3,013,527</u>	<u>4,259,563</u>
Excess of revenues over expenses	31,872	97,542
Net deficiency, beginning of year	<u>(297,950)</u>	<u>(395,492)</u>
Deficiency, end of year	<u>\$ (266,078)</u>	<u>\$ (297,950)</u>

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

Bobsleigh Canada Skeleton Statement of Cash Flows

For the year ended March 31	2015	2014 (As restated) Note 8
Cash flows from operating activities		
Excess of revenues over expenses	\$ 31,872	\$ 97,542
Item not affecting cash		
Amortization	<u>188,866</u>	<u>234,623</u>
	220,738	332,165
Change in non-cash working capital items		
Accounts receivable	167,745	(309,570)
Prepaid expenses	4,386	20,619
Accounts payable and accrued liabilities	(265,015)	167,836
Deferred revenue	<u>31,500</u>	<u>(23,080)</u>
	<u>159,354</u>	<u>187,970</u>
Cash flows from investing activities		
Purchase of property and equipment	(97,827)	(140,987)
Decrease in restricted cash	<u>4,924</u>	<u>6,965</u>
	<u>(92,903)</u>	<u>(134,022)</u>
Cash flows from financing activities		
Payment of capital lease	-	(120,587)
Increase(decrease) in bank indebtedness	<u>(66,451)</u>	<u>66,639</u>
	<u>(66,451)</u>	<u>(53,948)</u>
Change in cash	-	-
Cash, beginning of year	<u>-</u>	<u>-</u>
Cash, end of year	\$ -	\$ -

Non-cash transaction (Note 3)

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

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2015

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, 2015

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

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

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.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2015

1. Summary of significant accounting policies (continued)

Foreign currency translation	<p>The Organization translates foreign currency transactions into Canadian dollars on the following basis:</p> <ul style="list-style-type: none">(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	<p>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:</p> <p>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.</p> <p>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.</p> <p>Sponsorship revenue is recognized over the period specified per individual contracts.</p> <p>Event revenue is recognized when the event has taken place.</p>
Contributed materials and services	<p>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.</p>
Research and development costs	<p>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.</p>

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2015

1. **Summary of significant accounting policies (continued)**

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.

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.

2. **Accounts receivable**

Accounts receivable includes \$6,146 (2014 - \$9,502), representing GST due from the government.

3. **Contributed materials and services**

Adidas provided value in kind of clothing and gear worth \$180,000 (2014 - \$180,000).

During the year BMW provided 80 (2014 - 80) helmets in kind at an estimated price of \$600 (2014 - \$600) per helmet totaling \$48,000 (2014 - \$48,000).

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2015

4. Property and equipment

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Bobsleighs and skeletons	\$ 1,988,088	\$ 1,607,427	\$ 1,524,769	\$ 1,238,561
Bobsleighs - under capital lease	-	-	365,493	182,747
Office and electronic equipment	198,661	197,198	198,661	194,783
Tools and materials	137,392	135,911	137,392	135,580
	<u>\$ 2,324,141</u>	<u>\$ 1,940,536</u>	<u>\$ 2,226,315</u>	<u>\$ 1,751,671</u>
Net book value		<u>\$ 383,605</u>		<u>\$ 474,644</u>

5. Bank Indebtedness

	2015	2014
Cheques issued in excess of funds on deposit	\$ 9,170	\$ 5,621
Revolving demand facility	260,000	330,000
	<u>\$ 269,170</u>	<u>\$ 335,621</u>

The bank has provided a revolving demand facility of up to a maximum of \$300,000 (2014 - \$300,000) bearing interest at the bank's prime interest rate plus 1.10% (2014 - prime + 1.10%) per annum. In 2014 the Organization was granted a temporary extension to \$340,000 until April 15, 2015. This facility and the overdraft are secured by a general security agreement constituting a first ranking security in all property of the Organization.

6. Economic dependence

During the year, the Organization received revenue of \$1,998,641 (2014 - \$3,263,798), which represents 66% (2014 - 75%) of its revenues, from two (2014 - 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 fund raising 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.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2015

7. Related party transactions

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 \$nil (2014 - \$10,858) and travel costs totaling \$110 (2014 - \$34,084). At year end, \$nil (2014 - \$10,337) 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 \$413,172 (2014 - \$302,961) and Own the Podium revenue totaling \$966,969 (2014 - \$1,279,872) included in Sport Canada and Own the Podium revenue line items. At year end, \$114,740 (2014 - \$105,413) of this amount is included in accounts receivable.

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.

8. Prior period adjustment

During the year, it was determined that the prior year's financial statements required correction of an error. Invoices related to expenses incurred during 2014 were not accrued in the March 31, 2014 financial statements.

The effects of the Organization's restatement on March 31, 2014 financial statements are summarized as follows:

	As Previously Reported	Prior Period Adjustment	As Restated
Other operating expenses	\$ 224,997	\$ 55,303	\$ 280,300
Net deficiency	(242,647)	(55,303)	(297,950)
Statement of Financial Position			
Accounts payable and accrued liabilities	\$ 1,014,343	\$ 55,303	\$ 1,069,646
Total liabilities	1,349,964	55,303	1,405,267

9. 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.

(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.

Bobsleigh Canada Skeleton Notes to the Financial Statements

March 31, 2015

9. Financial instruments (continued)

(b) 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.

(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 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.

(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.

10. Comparatives

Certain prior year comparatives have been reclassified to conform to current year's presentation. These reclassifications have no effect on the statement of operations for the prior year.

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