

Financial Statements of

**CLIMBING ESCALADE CANADA**

And Independent Auditors' Report thereon

Year ended September 30, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Members of Climbing Escalade Canada

### ***Qualified Opinion***

We have audited the financial statements of Climbing Escalade Canada (the Entity), which comprise:

- the statement of financial position as at September 30, 2019
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects on the comparative information of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2019 and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Qualified Opinion***

Due to a data loss experienced by Climbing Escalade Canada during fiscal year 2018, adequate supporting documentation was not available for certain components of revenue, including climbers' fees, youth national team, and other revenue. The accuracy, cut-off, and occurrence of these revenue streams was not susceptible to satisfactory audit verification.



Therefore, the predecessor auditor was not able to determine whether any adjustments might be necessary to:

- the current assets reported in the balance sheet as at September 30, 2018
- the climbers' fees, youth national team, and other revenue and excess of revenue over expenses reported in the statement of operations for the year ended September 30, 2018
- the net assets for the year ended September 30, 2018
- the excess of revenue over expenses reported in the statement of cash flows for the year ended September 30, 2018.

The predecessor auditor's opinion on the financial statements for the year ended September 30, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

As a result, our opinion on the financial statements for the year ended September 30, 2019 is also qualified because of the possible effects of this matter on the comparability of the current period's figures to the comparative information.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the 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 qualified opinion.

#### ***Other Matter – Comparative Information***

The financial statements for the year ended September 30, 2018 were audited by another auditor who expressed a qualified opinion on those financial statements on May 10, 2019 due to the matter described in the ***"Basis for Qualified Opinion"*** section.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.



In preparing the financial statements, management is responsible for assessing the Entity'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 Entity 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.

### ***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity's 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 27, 2020

# CLIMBING ESCALADE CANADA

## Statement of Financial Position

September 30, 2019, with comparative information for 2018


	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 37,838	\$ 60,340
Accounts receivable	10,070	93,171
Advances to related parties (note 5)	37	—
	<u>47,945</u>	<u>153,511</u>
Capital assets (note 3)	3,138	2,154
	<u>\$ 51,083</u>	<u>\$ 155,665</u>

## Liabilities and Net Assets

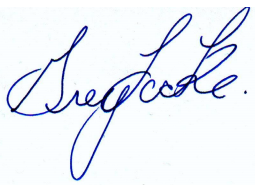
Current liabilities:		
Accounts payable and accruals (note 4)	\$ 19,242	\$ 13,080
Advances from related parties (note 5)	—	12,272
Deferred revenues	5,210	—
	<u>24,452</u>	<u>25,352</u>
Net assets	26,631	130,313
Subsequent event (note 8)		
	<u>\$ 51,083</u>	<u>\$ 155,665</u>

See accompanying to the financial statements.

Approved on behalf of the Board:



Director



Director

# CLIMBING ESCALADE CANADA

## Statement of Operations and Changes in Net Assets

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Climbers' fees	\$ 193,223	\$ 82,275
Sponsorship	125,000	125,000
Youth National team	103,113	57,409
Selection camp	60,990	—
Sport Canada funding	21,482	78,518
Other	—	854
Grants and donations	2,000	4,725
	<u>505,808</u>	<u>348,781</u>
Expenses:		
Operations and programming	256,808	68,470
Salaries and benefits	139,766	33,044
National team programs	117,990	73,806
Governance	56,050	25,670
General and administration	28,740	18,150
Official languages	5,460	3,640
Amortization	3,835	2,633
Exchange loss	841	—
Uniforms and other expenses	—	15,472
	<u>609,490</u>	<u>240,885</u>
(Deficiency) excess of revenue over expenses	(103,682)	107,896
Net assets, beginning of year	130,313	22,417
Net assets, end of year	<u>\$ 26,631</u>	<u>\$ 130,313</u>

See accompanying notes to the financial statements.

# CLIMBING ESCALADE CANADA

## Statement of Cash Flows

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Cash flows provided by (used in):		
Operations:		
(Deficiency) excess of revenues over expenses	\$ (103,682)	\$ 107,896
Add items not affecting cash:		
Amortization of capital assets	3,835	2,633
	(99,847)	110,529
Change in non-cash working capital:		
Accounts receivable	83,101	(93,171)
Accounts payable and accrued liabilities	6,162	(5,920)
Deferred revenues	5,210	–
Advances (to) from related parties	(12,309)	11,418
	(17,683)	22,856
Investing:		
Purchase of capital assets	(4,819)	(4,787)
(Decrease) increase in cash	(22,502)	18,069
Cash, beginning of year	60,340	42,271
Cash, end of year	\$ 37,838	\$ 60,340

See accompanying note to the financial statements.



# CLIMBING ESCALADE CANADA

Notes to the Financial Statements

Year ended September 30, 2019, with comparative information for 2018

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## 1. Incorporation and nature of organization:

Climbing Escalade Canada (the "Organization") is federally incorporated as a National Sport Organization with a mandate to regulate and promote the development of competition climbing in Canada. In addition, the Organization provides assistance to athletes, coaches, and event organizers at the national level. The Organization is exempt from income tax due to its not-for-profit status.

## 2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

### (a) Revenue recognition:

The Organization 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.

Revenue from climbers' fees, selection camps, and youth national teams are recognized when the service is provided, the amount can be reasonably estimated and collection is reasonably assured.

### (b) Contributed materials and services:

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

No contributions of materials and services have been recognized in these financial statements.

### (c) Cash:

Cash includes balances with banks held with Canadian financial institutions. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

# CLIMBING ESCALADE CANADA

Notes to the Financial Statements, page 2

Year ended September 30, 2019, with comparative information for 2018

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## 2. Significant accounting policies (continued):

### (d) Capital assets:

Purchased capital assets are recorded at cost.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives. The annual amortization rates are as follows:

	Method	Rate
Website	Declining balance	55%

The carrying amount of an item of capital asset is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and is in excess of its fair value.

Contributed capital assets used in the Organization's normal operations are recorded at fair value, when fair value can be reasonably determined.

### (e) 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.

The Organization subsequently measures investments in equity instruments quoted in an active market at fair value. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenue over expenses.

# CLIMBING ESCALADE CANADA

Notes to the Financial Statements, page 3

Year ended September 30, 2019, with comparative information for 2018

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## 2. Significant accounting policies (continued):

### (f) Measurement uncertainty (use of estimates):

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reporting accounts of assets and liabilities at the date of the financial statements and the reporting amounts of revenue and expenses during the period. Such estimates include the following:

Accounts receivable are stated after evaluations as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful life of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

## 3. Capital assets:

			2019	2018
	Cost	Accumulated depreciation	Net book value	Net book value
Website	\$ 9,606	\$ 6,468	\$ 3,138	\$ 2,154

## 4. Accounts payable and accruals:

Included in accounts payable and accrued liabilities are government remittances payable of \$1,779 (2018 – \$3,736) which includes amounts payable for payroll related taxes.

## 5. Advances to/from related parties:

Advances to/from related parties consist of amounts owing from directors and employees of the Organization. The advances are unsecured, bear no interest and have no fixed terms of repayment.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# CLIMBING ESCALADE CANADA

Notes to the Financial Statements, page 4

Year ended September 30, 2019, with comparative information for 2018

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## 6. Financial instruments:

The Organization is exposed to the following risks as a result of holding financial instruments:

(i) Credit risk:

The Organization monitors credit risk by assessing the collectability of the amounts. The Organization mitigates its credit risk on cash by dealing with Canadian commercial banks in which cash is held.

(ii) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no changes to the risk exposure since 2018.

## 7. Comparative information:

Certain comparative information has been reclassified for comparative purposes to conform with current year's financial statements presentation.

## 8. Subsequent event:

In January 2020, the World Health Organization declared the coronavirus a global health emergency and on March 11, 2020, the coronavirus was declared a global pandemic. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. At this time, governments and businesses are introducing significant new measures to contain and control the spread of the virus.

While the impact of these circumstances is not yet known, this subsequent event results in heightened risk related to the creditworthiness of the Organization's counterparties, their future cash flows and therefore the credit risk relating to the Organization's accounts receivable. The Organization is also considering the impact on future planned events.