

Financial Statements of

**CLIMBING ESCALADE CANADA**

And Independent Auditors' Report thereon

Six month period ended March 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Members of Climbing Escalade Canada

### ***Opinion***

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

- the statement of financial position as at March 31, 2021
- the statement of operations and changes in net assets for the six month period then ended
- the statement of cash flows for the six month period 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, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations and its cash flows for the six month period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***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 "***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 opinion.

***Emphasis of Matter – Significant Judgements related to Going Concern***

We draw attention to Note 2(i) to the financial statements which describes the significant judgements that management of the Entity made related to the Entity's ability to continue as a going concern.

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 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 Entity'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 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

October 26, 2021

# CLIMBING ESCALADE CANADA

## Statement of Financial Position

March 31, 2021, with comparative figures for September 30, 2020

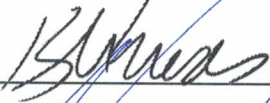
	2021	2020
<b>Assets</b>		
Current assets:		
Cash	\$ 90,427	\$ 232,790
Accounts receivable (note 6)	63,179	27,102
Inventory	4,757	—
Olympic games deposits	2,840	2,840
Prepaid expenses	4,708	1,005
	165,911	263,737
Intangible assets (note 3)	11,173	1,412
	\$ 177,084	\$ 265,149


## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accruals (note 4)	\$ 5,037	\$ 25,536
Deferred revenue	10,033	51,845
Deferred capital contributions (note 5)	9,955	—
	25,025	77,381
Net assets	152,059	187,768
	\$ 177,084	\$ 265,149

See accompanying notes to the financial statements.

Approved on behalf of the Board:

  
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Director

  
\_\_\_\_\_  
Director

# CLIMBING ESCALADE CANADA

## Statement of Operations and Changes in Net Assets

Six month period ended March 31, 2021, with comparative figures for year ended September 30, 2020

	2021	2020
Revenue:		
Sport Canada funding (note 6)	\$ 48,245	\$ 219,755
Canada Emergency Wage Subsidy (note 6)	36,405	47,429
Sponsorship	20,000	125,000
Grants and donations	11,712	2,000
Climbers' fees	7,296	189,699
Youth National team	185	—
	<u>123,843</u>	<u>583,883</u>
Expenses:		
Salaries and benefits	85,767	128,700
General and administration	21,353	38,175
Sport development	30,133	16,537
Governance	13,348	57,599
Official languages	3,006	7,103
Cost of goods sold	2,952	—
Exchange loss (gain)	1,596	(54)
National team programs	1,203	32,606
Amortization	194	1,726
Operations and programming	—	140,092
Uniforms and other expenses	—	262
	<u>159,552</u>	<u>422,746</u>
(Deficiency) excess of revenue over expenses	(35,709)	161,137
Net assets, beginning of period	187,768	26,631
Net assets, end of period	<u>\$ 152,059</u>	<u>\$ 187,768</u>

See accompanying notes to the financial statements.

# CLIMBING ESCALADE CANADA

## Statement of Cash Flows

Six month period ended March 31, 2021, with comparative figures for year ended September 30, 2020

	2021	2020
Cash flows provided by (used in):		
Operations:		
(Deficiency) excess of revenues over expenses	\$ (35,709)	\$ 161,137
Add items not affecting cash:		
Amortization of intangible assets	194	1,726
	(35,515)	162,863
Change in non-cash working capital:		
Accounts receivable	(36,077)	(17,032)
Inventory	(4,757)	—
Olympic games deposit	—	(2,840)
Prepaid expenses	(3,703)	(1,005)
Deferred revenue	(41,812)	46,635
Accounts payable and accrued liabilities	(20,499)	6,294
Advances from related parties	—	37
	(142,363)	194,952
Investing:		
Purchase of intangible assets	(9,955)	—
Financing:		
Deferred capital contributions received	9,955	—
(Decrease) increase in cash	(142,363)	194,952
Cash, beginning of period	232,790	37,838
Cash, end of period	\$ 90,427	\$ 232,790

See accompanying notes to the financial statements.



# CLIMBING ESCALADE CANADA

## Notes to the Financial Statements

Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

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### **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.

The Organization changed its year end from September 30 to March 31. The change aligns its fiscal period to match its funder's fiscal periods. The financial statements for the period ended March 31, 2021 are presented with comparatives for the fiscal year ended September 30, 2020.

### **1. COVID-19:**

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. In response to these measures, effective March 2020, the Organization has suspended all events. As at the reporting date, the Organization sent athletes to the Tokyo Olympics and expects to resume normal operations and scheduled events for the 2021/2022 season.

The Organization continues to manage liquidity risk (note 7) by updating budgets and assessing cash flow frequently. The Organization has been successful in receiving the Canada Emergency Wage Subsidy ("CEWS") which has been ongoing into fiscal 2022 as disclosed in note 6.

There are also other factors which present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect of these items is not practicable at this time. Refer to note 2(i) for further judgements and considerations by management.

### **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:

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Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

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## 2. Significant accounting policies (continued):

### (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) Government assistance:

Government assistance related to current expenses and revenues is included in the determination of net income for the period. Government assistance related to capital expenditures is deferred and amortized to income on the same basis as the related item of property, plant and equipment is depreciated.

### (c) 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.

### (d) Cash:

Cash includes balances with banks held with Canadian financial institutions.

### (e) Inventory:

Inventories consist of clothing and promotional items. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale. Included in the cost of inventories are costs of purchase. Cost is determined using the weighted average cost method, based on individual products.

# CLIMBING ESCALADE CANADA

Notes to the Financial Statements, page 3

Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

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## 2. Significant accounting policies (continued):

### (f) Capital assets:

Purchased capital assets are recorded at cost.

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.

The Organization currently has no capital assets.

### (g) Intangible assets:

Intangible assets acquired individually or as part of a group of other assets are initially recognized and measured at cost. Expenditures incurred to acquire, develop, maintain and enhance intangible resources are recognized as assets only when they are separable or arise from contractual or other legal rights regardless of whether these rights are transferable or separable and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Organization and the cost can be reliably measured. The assessment of the probability of the future economic benefits using reasonable and supportable assumptions represents management's best estimate of the set of economic conditions that will exist over the useful life of the asset. Subsequent expenditures to maintain such expected economic benefits are only capitalized to the carrying amount of the existing intangible asset if these expenditures separately meet the prescribed criteria for recognition as an intangible and that these costs could be directly attributable to a specific intangible rather than to the business as a whole.

Intangible assets with finite useful lives are amortized over their useful lives. 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%

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Notes to the Financial Statements, page 4

Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

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## 2. Significant accounting policies (continued):

### (g) Intangible assets (continued):

An intangible asset that is subject to amortization is tested for impairment only when events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss for an intangible asset is not reversed upon subsequent increase of the fair value of such assets. The amortization methods and estimated useful lives of intangible assets are reviewed annually.

Contributed intangible assets used in the Organization's normal operations are recorded at cost, which is the estimated fair value plus all costs directly attributable to the acquisition of the intangible asset. If the estimated fair value cannot be reasonably determined, such donations are not recorded.

#### Website cost in progress

Website cost in progress is comprised of billings in relation to the Organization's website redevelopment. No amortization is recorded on this asset until it becomes available for use at which time it will be transferred to the website costs.

### (h) 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.

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Notes to the Financial Statements, page 5

Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

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## 2. Significant accounting policies (continued):

- (i) Measurement uncertainty (use of estimates) and significant judgments related to going concern:

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.

As at March 31, 2021 the Organization had a working capital surplus of \$140,886 (2020 - \$186,356), deficiency of revenues over expenses of \$35,709 (2020 – excess of \$161,137) and negative cash flows from operations of \$142,363 (2020 – positive cash flows of \$194,952). The Organization's ability to continue as a going concern is dependent upon its ability to adjust its operations such that expenditures are matched to available cash resources/revenue and continue to obtain funding from grants and sponsorships and climber's fees sufficient to meet current and future obligations. Management has been required to utilize significant judgement related to the Organization's ability to continue as a going concern and adjust operations and

spending to align with funding and revenue which has been impacted as a result of the COVID-19 pandemic discussed in note 1.

Subsequent to year end, the Organization continues to rely on grants and sponsorships and climbing revenue. However, there is no assurance that these activities will be able to meet the Organization's operating needs.

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amount of assets, the reported revenues and expenses, and the balance sheet classifications used to reflect these on a liquidation basis which could differ from accounting principles applicable to a going concern.

# CLIMBING ESCALADE CANADA

Notes to the Financial Statements, page 6

Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

### 3. Intangible assets:

			2021	2020
	Cost	Accumulated depreciation	Net book value	Net book value
Website	\$ 9,606	\$ 8,388	\$ 1,218	\$ 1,412
Website cost in progress	9,955	–	9,955	–
	\$ 19,561	\$ 8,388	\$ 11,173	\$ 1,412

### 4. Accounts payable and accruals:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,412 (2020 – \$3,677) which includes amounts payable for payroll related taxes.

### 5. Deferred capital contributions:

Deferred capital contributions represent restricted contributions received and designated to be used for capital purposes. The deferred capital contributions received in the current year represent funds used for website redevelopment.

	2021	2020
Balance, beginning of period	\$ –	\$ –
Donated funding for website cost in progress	9,955	–
Amortization of deferred capital contributions	–	–
Balance, end of period	\$ 9,955	\$ –

### 6. Government assistance:

The Organization is eligible to receive grants from Sports Canada under the Sport Support Program. A total of \$48,245 (2020 – \$219,755) was recognized in revenues on the statement of operations for the six month period ended March 31, 2021. The entire amount is non-repayable.

# CLIMBING ESCALADE CANADA

Notes to the Financial Statements, page 7

Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

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## 6. Government assistance (continued):

The Government of Canada created a program called the Canada Emergency Wage Subsidy, ("CEWS") to provide wage assistance to companies who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the Organization met the eligibility requirements and received \$20,328 (2020 – \$20,327). The Organization accrued an additional \$16,077 (2020 – \$27,102) for future CEWS applications relating to fiscal 2021. The entire amount has been recognized in revenues on the statement of operations for the six month period ended March 31, 2021.

## 7. 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 September 30, 2020 other than the potential impact of COVID-19 as disclosed in note 1 and based on certain judgements made by management in note 2(i).

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Notes to the Financial Statements, page 8

Six month period ended March 31, 2021, with comparative information for the year ended September 30, 2020

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## 8. Comparative information:

The Organization recognized an immaterial correction to recognize funding from Sport Canada in the same period as the expense, which was incurred and recognized in 2020. The comparative information that has been affected by this error pertains to:

- Decrease to deferred revenue – short term liability - \$5,250
- Increase to net assets – net assets - \$5,250
- Increase to Sport Canada Funding – revenue - \$5,250
- No impact to cash flow

The Organization also reclassified immaterial website costs with a net book value of \$1,412 to intangible assets from capital assets to conform to the presentation in the current year. There are no other impacts.