Financial Statements of

CLIMBING ESCALADE CANADA

And Independent Auditors' Report thereon

Year ended March 31, 2022

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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, 2022
- 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, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations and its cash flows for the year 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.

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

September 15, 2022

CLIMBING ESCALADE CANADA

Statement of Financial Position

March 31, 2022, with comparative information for 2021

		2022		2021
Assets				
Current assets:				
Cash	$	92,083	$	90,427
Accounts receivable (note 6)		112,500		63,179
Inventory		3,552		4,757
Promissory note receivable		1,000		–
Olympic games deposits		–		2,840
Prepaid expenses		9,172		4,708
		218,307		165,911
Intangible assets (note 3)		12,291		11,173
	$	230,598	$	177,084
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accruals (notes 4 and 7)	$	23,537	$	5,037
Deferred revenue		139,429		10,033
		162,966		15,070
Deferred capital contributions (note 5)		7,217		9,955
		170,183		25,025
Net assets		60,415		152,059
Economic dependence (note 9)				
	$	230,598	$	177,084

See accompanying notes 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 March 31, 2022, with comparative figures for the six-month period ended March 31, 2021

	2022	2021
Revenue:		
Sport Canada funding (note 6)	$ 229,500	$ 48,245
Climbers' fees	121,624	7,296
Sponsorship	128,625	20,000
Canada Emergency Wage Subsidy (note 6)	33,484	36,405
Grants and donations	25,303	11,712
Youth National team	2,814	185
	541,350	123,843
Expenses:		
Salaries and benefits	189,405	85,767
Operations and programming	156,502	–
National team programs	74,940	1,203
Uniforms	64,000	–
General and administration	52,016	21,353
Governance	48,320	13,348
Sport development	32,392	30,133
Official languages	6,696	3,006
Amortization	5,198	194
Exchange loss	2,320	1,596
Cost of goods sold	1,205	2,952
	632,994	159,552
Deficiency of revenue over expenses	(91,644)	(35,709)
Net assets, beginning of period	152,059	187,768
Net assets, end of period	$ 60,415	$ 152,059

See accompanying notes to the financial statements.

CLIMBING ESCALADE CANADA

Statement of Cash Flows

Year ended March 31, 2022, with comparative figures for the six-month period ended March 31, 2021

	2022	2021
Cash flows provided by (used in):		
Operations:		
Deficiency of revenues over expenses	$ (91,644)	$ (35,709)
Add (subtract) items not affecting cash:		
Amortization of intangible assets	5,198	194
Amortization of deferred capital contributions (note 5)	(2,738)	–
	(89,184)	(35,515)
Change in non-cash working capital:		
Accounts receivable	(49,321)	(36,077)
Inventory	1,205	(4,757)
Olympic games deposits	2,840	–
Prepaid expenses	(4,464)	(3,703)
Deferred revenue	129,396	(41,812)
Accounts payable and accrued liabilities	18,500	(20,499)
	8,972	(142,363)
Investing:		
Issuance of promissory note receivable	(1,000)	–
Purchase of intangible assets	(6,316)	(9,955)
	(7,316)	(9,955)
Financing:		
Deferred capital contributions received	–	9,955
Increase (decrease) in cash	1,656	(142,363)
Cash, beginning of period	90,427	232,790
Cash, end of period	$ 92,083	$ 90,427

See accompanying notes to the financial statements.

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.

As at March 31, 2021, 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.

1. COVID-19:

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID 19 virus. The Organization is following health advisories and mandatory requirements from local, provincial and national health and government organizations.

Market conditions have improved over the course of 2021 and 2022 as nations began re-opening their economies, but the recent resurgence of COVID-19 cases (including cases related to variants or mutations of the COVID-19 virus) in certain geographic areas, and the possibilities that a resurgence may occur in other areas, has resulted in the reimposition of certain restrictions by local authorities. In addition, while vaccines are being distributed, there is uncertainty as to the timing, level of adoption, duration of efficacy and overall effectiveness of the vaccine against variants or mutations.

While COVID-19 continues to present a challenging economic environment, there is no significant adverse financial impact to the Organization. The Organization has resumed all normal operations and scheduled events for the 2021/2022 season.

While the disruption caused by COVID-19 is currently expected to be temporary, there is considerable uncertainty around its duration and magnitude.

The Organization continues to manage liquidity risk (note 8) 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.

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 and include the following significant accounting policies:

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 deficiency of revenue over expenses for the period. Government assistance related to capital expenditures is deferred and amortized to income on the same basis as the related capital asset 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.

(d) Cash:

Cash includes balances with banks held with Canadian financial institutions.

(e) Inventory:

Inventory consists of clothing and promotional items. Inventory is 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 inventory are costs of purchase. Cost is determined using the weighted average cost method, based on individual products.

(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.

2. Significant accounting policies (continued):

(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%

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.

2. Significant accounting policies (continued):

(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 deficiency of revenue 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.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(i) 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 deficiency of revenue over expenses in the period in which they become known.

3. Intangible assets:

	Cost	Accumulated depreciation	2022 Net book value	2021 Net book value
Website	$ 26,071	$ 13,780	$ 12,291	$ 1,218
Website cost in progress	–	–	–	9,955
	$ 26,071	$ 13,780	$ 12,291	$ 11,173

4. Accounts payable and accruals:

Included in accounts payable and accruals are government remittances payable of $3,695 (2021 – $3,412) 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.

	2022	2021
Balance, beginning of period	$ 9,955	$ –
Donated funding for website cost in progress	–	9,955
Amortization of deferred capital contributions	(2,738)	–
Balance, end of period	$ 7,217	$ 9,955

6. Government assistance:

The Organization is eligible to receive grants from Sports Canada under the Sport Support Program. Total grants of $229,500 (2021 – $48,245) were recognized in revenue on the statement of operations for the year ended March 31, 2022. The entire amount is non-repayable.

The Government of Canada created a program called the Canada Emergency Wage Subsidy, ("CEWS") to provide wage assistance to entities who experienced a drop in revenue resulting from the COVID-19 outbreak. During the year, the Organization met the eligibility requirements and received $33,484 (2021 – $20,328). The Organization accrued an additional $nil (2021 – $16,077) for future CEWS applications. The entire amount has been recognized in revenue on the statement of operations for the year then ended March 31, 2022.

7. Related party transactions:

Included in accounts payable and accruals is $7,640 (2021 – $nil) owing to the Executive Director of the Organization.

8. Financial instruments:

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

(a) Credit risk:

The Organization monitors credit risk by assessing the collectability of its cash, accounts receivable, and promissory note receivable. The Organization mitigates its credit risk on cash by dealing with Canadian commercial banks in which cash is held. The Organization assesses, on a continuous basis, accounts receivable and promissory note receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Organization has a $nil (2021 – $nil) balance in allowance for doubtful accounts as at March 31, 2022.

(b) 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 2021 other than the potential impact of COVID-19 as disclosed in note 1.

9. Economic dependence:

The Organization receives a significant portion of its revenue in the form of funding from Sports Canada. The Organization's continued operations are dependent on the continuance of this funding.