



FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020
AND
AUDITOR'S REPORT TO THE MEMBERS





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Independent auditor's report

To the Members of Skate Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Skate Canada (the Association) as at March 31, 2020 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.

What we have audited

The Association's financial statements comprise:

- the statement of financial position as at March 31, 2020;
- the statement of changes in net assets for the year then ended;
- the statement of operations for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

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 Association'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 Association'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 Association 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
May 21, 2020

Skate Canada
Statement of Financial Position
As at March 31, 2020

| | | 2020 | 2019 |
|--|---------|-------------------|-------------------|
| | | \$ | \$ |
| ASSETS | | 2020 | Restated |
| | | \$ | (note 2) |
| Current assets | | | |
| Cash | | 2,020,867 | 1,208,699 |
| Accounts receivable | | 3,267,620 | 1,225,389 |
| Unbilled contract revenue | | 240,000 | 480,119 |
| Prepaid expenses | | 366,643 | 857,350 |
| Skate Canada Skater Trust Fund | Note 3 | 149,203 | 152,060 |
| | | <u>6,044,333</u> | <u>3,923,617</u> |
| Investments | Note 4 | 23,541,971 | 21,536,556 |
| Collections | Note 5 | 1,223,050 | 1,009,300 |
| Capital assets | Note 6 | 478,063 | 613,565 |
| | | <u>31,287,417</u> | <u>27,083,038</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | Note 7 | 5,217,618 | 1,149,959 |
| Deferred revenue | | 1,930,491 | 333,586 |
| Skate Canada Skater Trust Fund | Note 3 | 149,203 | 152,060 |
| | | <u>7,297,312</u> | <u>1,635,605</u> |
| Net assets | | | |
| Unrestricted | | 23,695,415 | 25,152,743 |
| Externally restricted | | 115,829 | 115,829 |
| Endowment | | 178,861 | 178,861 |
| | | <u>23,990,105</u> | <u>25,447,433</u> |
| | | <u>31,287,417</u> | <u>27,083,038</u> |
| Commitments | Note 11 | | |

Skate Canada

Statement of Changes in Net Assets

For the year ended March 31, 2020

| | Balance - Beginning of the year \$ (restated - note 2) | Net expense for the year \$ | Balance - End of the year \$ |
|-----------------------|---|--|---|
| Unrestricted | 25,152,743 | (1,457,328) | 23,695,415 |
| Externally restricted | 115,829 | - | 115,829 |
| Endowment | 178,861 | - | 178,861 |
| | 25,447,433 | (1,457,328) | 23,990,105 |

The accompanying notes are an integral part of these financial statements

Skate Canada
Statement of Operations
For the year ended March 31, 2020

| | 2020 | 2019 |
|---|--------------------|-------------------|
| | \$ | \$ |
| Revenue | | |
| Membership | 8,029,882 | 6,763,016 |
| Test fees | 1,125,804 | 1,203,936 |
| Events | 3,795,341 | 6,467,309 |
| ISU World Figure Skating Championships (schedule A) | 2,618,741 | 585,149 |
| Merchandising | 121,794 | 120,597 |
| Government and other grants (note 9) | 3,116,460 | 2,937,437 |
| Sponsorship (note 10) | 1,168,401 | 1,628,272 |
| Investment income (note 4) | (782,700) | 1,200,037 |
| Safe Sport | 568,983 | 581,469 |
| Contributions (note 5) | 213,750 | - |
| Other | 728,782 | 716,283 |
| | 20,705,238 | 22,203,505 |
| Expense | | |
| Section grants | 4,213,683 | 3,611,034 |
| Athlete grants | 759,427 | 702,005 |
| Events | 3,638,456 | 6,146,864 |
| ISU World Figure Skating Championships (schedule A) | 3,653,870 | 585,149 |
| Agent fees and advertising | 202,760 | 247,938 |
| Investment fees and bank charges | 226,981 | 195,087 |
| Salaries, benefits and professional development | 4,578,593 | 4,359,644 |
| Professional fees and contracted services | 1,147,050 | 941,883 |
| Facilities | 749,374 | 775,817 |
| Travel and living | 2,387,502 | 2,047,374 |
| Technology and subscriptions | 204,024 | 373,148 |
| Office | 68,188 | 59,595 |
| General | 165,304 | 226,836 |
| Amortization | 167,354 | 129,140 |
| | 22,162,566 | 20,401,514 |
| Net revenue (expense) for the year | (1,457,328) | 1,801,991 |

Skate Canada
Statement of Cash Flows
For the year ended March 31, 2020

| | 2020 | 2019 |
|--|--------------------|------------------|
| | \$ | \$ |
| Cash flows provided by (used in) | | |
| Operating activities | | |
| Net revenue (expense) for the year | (1,457,328) | 1,801,991 |
| Items not affecting cash - | | |
| Amortization | 167,354 | 129,140 |
| Contributions | (213,750) | - |
| Changes in fair value of investments | 1,265,024 | (584,225) |
| Net change in non-cash working capital items * | 4,353,159 | (410,969) |
| | 4,114,459 | 935,937 |
| Investing activities | | |
| Proceeds on sale of investments | - | 20,983,162 |
| Purchase of investments | (3,270,439) | (21,445,694) |
| Purchase of capital assets | (31,852) | (213,329) |
| | (3,302,291) | (675,861) |
| Net change in cash for the year | 812,168 | 260,076 |
| Cash - Beginning of year | 1,208,699 | 948,623 |
| Cash - End of year | 2,020,867 | 1,208,699 |

| * Net change in non-cash working capital items | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Change in Accounts Receivable | (2,042,231) | (45,748) |
| Change in Unbilled Contract Revenue | 240,119 | 166,792 |
| Change in Prepaid Expenses | 490,707 | (430,922) |
| Change in Accounts Payable and Accrued Liabilities | 4,067,659 | (43,600) |
| Change in Deferred Revenue | 1,596,905 | (57,491) |
| | 4,353,159 | (410,969) |

The accompanying notes are an integral part of these financial statements

SKATE CANADA
Notes to the Financial Statements
For the year ended March 31, 2020

1 Purpose of the Organization

Skate Canada (the Association) is the national skating governing body whose purpose is to develop, regulate and promote skating in Canada. For the purposes of management and control, Skate Canada is divided into ten geographic jurisdictions known as Sections. Sanctioned skating clubs, skating schools and certified professional coaches are members of Skate Canada.

All Sections are autonomous, separately incorporated organizations.

The Association is incorporated under the Canada Not-for-profit Corporations Act. The Association is a Registered Canadian Amateur Athletic Association (RCAAA) within the meaning of the Income Tax Act and is, therefore, not subject to income taxes. As a RCAAA, the Association has the authority to issue donation receipts.

2 Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

Changes in Accounting Standards

Starting April 1 2019, Skate Canada applied Section 4441 - Collections held by not-for-profit organizations of the CPA Accounting Handbook ("Section 4441") consistently and retrospectively as if these policies had always been in effect, subject to certain transition elections. The following adjustments were made:

| | |
|---|---------------------|
| Collections as at April 1, 2018, as previously reported | \$ - |
| Cost of collections at date of acquisition (a) | 1,009,300 |
| Collections as at March 31, 2019, as presented | <u>\$ 1,009,300</u> |

(a) Under Section 4441, Skate Canada has chosen to record its collection at cost. Prior to the transition, collections were never recognized on the statement of financial position. Under Section 4441, the carrying value of the collection has been increased by \$1,009,300 as at April 1, 2018. As at March 31, 2019, the carrying amount increased by nil and net revenue for the year decreased by nil.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the year. Actual results could differ from those estimates.

Investments

Investments are carried at fair value based on quoted market prices. Changes in fair value are included in net revenue (expense) for the year.

Collections

Collections are carried at cost, being the purchase price of acquired items or the fair value of contributed items. The Collection is not subject to amortization. The collection is comprised of works of art and other similar assets that are of historical significance to figure skating in Canada. The collection is held for public exhibition and education.

When an Item is purchased for the collections where the purchase price is substantially below fair value the difference between consideration paid and fair value is recognized as a contribution.

SKATE CANADA
Notes to the Financial Statements
For the year ended March 31, 2020

Capital Assets

Capital assets are initially recorded at cost and are then amortized on a straight-line basis over their anticipated useful lives as follows:

| | |
|---------------------------------|----------|
| Computer equipment and software | 3 years |
| Competition equipment | 5 years |
| Database system | 10 years |
| Office equipment | 5 years |
| Tenant improvements | 10 years |

Impairment

At the end of each reporting period, the Association assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. If there are indicators of impairment, and the Company determines there has been a significant adverse change in the expected amount or timing of future cash flows, the carrying amount of the asset is reduced to the higher of the expected cash flows expected to be generated by holding the asset, discounted using a current market rate of interest, and the amount that could be realized by selling the asset at the statement of financial position date.

Fund Accounting

Resources are classified for accounting and reporting purposes according to the activity specified.

Externally restricted - Elvis Stojko

The Elvis Stojko Fund reports activities with the intent of providing awards to selected skaters who display talent and have an ability to expand the horizons of the sport of figure skating.

Endowment Funds

As endowments, only the interest earned on the capital may be distributed and the capital must be preserved.

The Stewart G. Esdaile Fund reports on activities associated with providing annual awards to selected skaters from the Ottawa-Gatineau area skating clubs who skated in the previous Canadian Championships or the Canada Junior Nationals in the Novice or Junior categories.

The Paul Giesinger Estate Fund reports on activities associated with providing an annual award to the Novice Ladies and Novice Men's Championship at the Canadian National Figure Skating Championships.

Revenue Recognition

Externally restricted contributions are recognized as revenue of the appropriate externally restricted fund in the year it is received. If there is no designated externally restricted fund, externally restricted contributions are deferred and recognized as revenue in the period in which the related expenses are incurred.

Endowment contributions are recognized as revenue in the Endowment Fund when received.

Membership and test fees revenues are recognized when applications are received.

Sponsorship revenue is recognized on a straight-line basis over the term of the related agreement.

Event revenue is recognized in the year the event occurs and event deliverables are completed.

Government and other grants revenue is recognized based on the completion of deliverables as identified in contractual agreements.

Contributed goods and services are recorded at the fair value at the time of receipt if the value can be reasonably estimated and the related goods and services would otherwise have been purchased. These financial statements do not reflect the value associated with numerous hours contributed by volunteers to assist the Association in carrying out its service delivery activities.

Investment income earned on externally restricted amounts is recognized as revenue of the externally restricted fund according to the terms of the restricted contribution.

SKATE CANADA
Notes to the Financial Statements
For the year ended March 31, 2020

Foreign Currency Translation

Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Others assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations are translated at the exchange rate in effect at the transaction date. Exchange gains and losses are included in the statement of operations.

3 Skate Canada Trust Fund

The Association administers trust funds on behalf of certain skaters who have earned money from sponsorship contracts, equipment endorsements, advertising, participation in competitions and other activities. An administrative fee was not charged for this service. These funds are reported as trust assets and trust liabilities as the Association has no title to these assets, but solely administers them on behalf of the skaters.

4 Investments

| | 2020 | 2019 |
|--------------|----------------------|----------------------|
| Fixed income | \$ 9,987,104 | \$ 8,323,504 |
| Equity | 13,554,867 | 13,213,052 |
| | \$ 23,541,971 | \$ 21,536,556 |

The investment portfolios are managed in accordance with written investment policy statements.

Fixed income investments consist of federal and provincial government bonds, high quality corporate bonds rated "A" or higher, and guaranteed investment certificates. Bonds bear interest at fixed rates ranging from 1.97% to 6.35% (2019 - 1.78% to 6.35%), and have maturities ranging from 2020 to 2050 (2019- 2019 to 2045).

Equities are primarily large capitalization stocks across industry sectors and markets such as Canada (74%; 2019 - 68%), the United States (13%; 2019 - 14%) and International (13%; 2019 - 18%).

Investment income consists of:

| | 2020 | 2019 |
|--------------------------------------|---------------------|---------------------|
| Interest and dividends | \$ 482,324 | \$ 615,812 |
| Changes in fair value of investments | (1,265,024) | 584,225 |
| | \$ (782,700) | \$ 1,200,037 |

5 Collections

During the year, \$213,750 in additions were made to the the collection.

| | 2020 | 2019 |
|---------------------------------------|---------------------|---------------------|
| Works of art and other similar assets | \$ 1,223,050 | \$ 1,009,300 |

6 Capital Assets

| | 2020 | | 2019 | |
|---------------------------------|---------------------|---------------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net | Net |
| Computer equipment and software | \$ 122,475 | \$ 55,546 | \$ 66,929 | \$ 90,680 |
| Competition equipment | 230,379 | 99,977 | 130,402 | 160,461 |
| Database system | 466,925 | 252,507 | 214,418 | 264,007 |
| Office equipment | 145,248 | 116,538 | 28,710 | 54,545 |
| Tenant improvements | 62,674 | 25,070 | 37,604 | 43,872 |
| | \$ 1,027,701 | \$ 549,638 | \$ 478,063 | \$ 613,565 |

Cost and accumulated amortization for the year ended March 31, 2019, amounted to \$1,005,963 and \$392,398 respectively.

SKATE CANADA
Notes to the Financial Statements
For the year ended March 31, 2020

7 Government Remittances

Government remittances of \$nil (2019 - \$nil) are included in accounts payable and accrued liabilities.

8 Bank Indebtedness

The Association has an available operating loan of \$4,000,000 with variable interest at prime plus 0.5%. Investments are pledged as security for this facility with a minimum balance to be maintained at \$8,000,000. As at March 31, 2020, the line of credit was not used (not used as at March 31, 2019)

9 Government Assistance

Funding agencies have the ability to demand repayment of any portion of the grants if the Association does not spend all of the advanced funds or purchases disallowed expenditures. The Association is required to meet certain performance milestones as stipulated by the agreements.

10 Contributed Goods and Services

During the year, the Association received contributed goods and services with a fair value of \$170,937 (2019 – \$367,687). These contributed goods and services were provided primarily to sponsor a wide range of activities for the Association's competition events and are included in the statement of operations. Contributed Goods and Services is included in the Sponsorship line on the Statement of Operations.

11 Commitments

The Association is committed under lease agreements to make annual payments as follows:

| For the year ending | March 31, 2021 | \$ | 493,582 |
|---------------------|----------------|----|---------|
| | 2022 | | 493,582 |
| | 2023 | | 510,602 |
| | 2024 | | 510,602 |
| | 2025 | | 510,602 |
| | 2026 | | 510,602 |

The Ottawa office has subleased 2,900 square feet to a third party effective August 1, 2017, ending on July 31, 2022.

12 Financial Instruments

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations. The Association does not use derivative financial instruments to manage its risks.

Investment Risk

Investments in financial instruments render the Association subject to investment risks. Interest rate risk is the risk arising from fluctuations in interest rates and their degree of volatility. There is also the risk arising from the failure of a party to a financial instrument to discharge an obligation when it is due. Market risk is the risk to the value of a financial instrument due to fluctuations in market prices, whether these fluctuations are caused by factors specific to the investment itself or to its issuer, or by factors pertinent to all investments on the market.

Concentration of risk

Concentration of risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political and other conditions. The Association's investments are detailed in note 4.

Currency risk

The Association is exposed to currency risk as the value of financial instruments denominated in US dollars will fluctuate due to changes in the exchange rate. Cash includes \$1,068,965 (2019 – \$94,814) denominated in US dollars. Investments include \$3,074,650 (2019-\$3,067,185) denominated in US dollars.

13 Subsequent event

Subsequent to year-end, the Association is assessing the impact of the COVID-19 pandemic on its operations. Given the unprecedented nature of this event, it is difficult to predict the length or breadth of this disruption on operations.

SCHEDULE A

Skate Canada ISU World Figure Skating Championships

Statement of Operations

For the year ended March 31, 2020

(Unaudited)

| | Worlds 2020 | Worlds 2019 |
|----------------------------------|--------------------|----------------|
| | \$ | \$ |
| Revenue | | |
| Government Grants - Sport Canada | 898,508 | 585,149 |
| Government Grants - Provincial | 1,700,000 | - |
| Other | 20,233 | - |
| | 2,618,741 | 585,149 |
| Expense | | |
| General | 488,390 | 9,526 |
| Venue Operations | 912,418 | 184,965 |
| Travel and living | 126,221 | 100,510 |
| Salaries and wages | 99,325 | - |
| Volunteer Program | 72,990 | - |
| Event Marketing | 1,508,807 | 85,026 |
| Broadcasting | 157,762 | - |
| Festival / Ancillary Events | 287,957 | - |
| Other | - | 205,122 |
| | 3,653,870 | 585,149 |
| Net revenue (expenses) | (1,035,129) | - |