

Kitchener-Waterloo Skating Club
Financial Statements
For the year ended March 31, 2021

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Independent Auditor's Report

To the Members of Kitchener-Waterloo Skating Club

Opinion

We have audited the accompanying financial statements of Kitchener-Waterloo Skating Club (the "Entity"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, changes in fund balances and its cash flows for the year 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our 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 audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

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.



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 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 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 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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
May 26, 2021

**Kitchener-Waterloo Skating Club
Statement of Financial Position**

March 31

2021

2020

	Bursary Fund	Operating Fund	KWSC Trust Fund	Total	Total
Assets					
Current					
Cash (Note 2)	\$ -	\$ 277,340	\$ 18,711	\$ 296,051	\$ 383,933
Short-term investments (Note 3)	22,493	327,507	45,000	395,000	416,503
Accounts receivable and accrued interest (Note 4)	450	54,864	3,340	58,654	31,002
Prepaid expenses	-	4,621	-	4,621	4,763
Interfund receivable (Note 5)	-	(6,213)	6,213	-	-
	<u>22,943</u>	<u>658,119</u>	<u>73,264</u>	<u>754,326</u>	<u>836,201</u>
Long-term investments (Note 6)	-	202,250	155,000	357,250	240,000
Tangible capital assets (Note 7)	-	58,670	-	58,670	68,822
	<u>\$ 22,943</u>	<u>\$ 919,039</u>	<u>\$ 228,264</u>	<u>\$ 1,170,246</u>	<u>\$ 1,145,023</u>
Liabilities and Fund Balances					
Current					
Accounts payable and accrued liabilities (Note 8)	\$ -	\$ 83,659	\$ -	\$ 83,659	\$ 26,486
Due to eligible skaters (Note 9)	-	25,839	-	25,839	168,120
Deferred revenue	-	83,485	-	83,485	8,500
		<u>192,983</u>	<u>-</u>	<u>192,983</u>	<u>203,106</u>
Long-term debt (Note 10)	-	60,000	-	60,000	-
	<u>-</u>	<u>252,983</u>	<u>-</u>	<u>252,983</u>	<u>203,106</u>
Fund balances					
Internally restricted - invested in tangible capital assets	-	58,670	-	58,670	68,822
Internally restricted - other	-	-	228,264	228,264	227,350
Externally restricted	22,943	-	-	22,943	22,943
Unrestricted	-	607,386	-	607,386	622,802
	<u>22,943</u>	<u>666,056</u>	<u>228,264</u>	<u>917,263</u>	<u>941,917</u>
	<u>\$ 22,943</u>	<u>\$ 919,039</u>	<u>\$ 228,264</u>	<u>\$ 1,170,246</u>	<u>\$ 1,145,023</u>

On behalf of the Board:



Director



Director

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

**Kitchener-Waterloo Skating Club
Statement of Changes in Fund Balances**

For the year ended March 31				2021	2020
	Bursary Fund	Operating Fund	KWSC Trust Fund	Total	Total
Fund balances, beginning of year	\$ 22,943	\$ 691,624	\$ 227,350	\$ 941,917	\$1,077,533
Excess (deficiency) of revenue over expenses	-	(25,568)	914	(24,654)	(135,616)
Fund balances, end of year	\$ 22,943	\$ 666,056	\$ 228,264	\$ 917,263	\$ 941,917

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

**Kitchener-Waterloo Skating Club
Statement of Operations**

For the year ended March 31

2021

2020

	Bursary Fund	Operating Fund	KWSC Trust Fund	Total	Total
Revenue					
Programs	\$ -	\$ 524,429	\$ -	\$ 524,429	\$ 1,131,884
Athletic Centre	-	17,032	-	17,032	52,478
Fundraising	-	15,580	-	15,580	16,918
Grants and donations (Note 11)	-	29,265	-	29,265	25,472
Shows, competitions and events	-	118	-	118	3,150
Interest	-	3,695	5,084	8,779	13,777
Other	-	23,131	-	23,131	46,753
	-	613,250	5,084	618,334	1,290,432
Expenses					
Programs (Note 12)	-	419,391	-	419,391	902,599
Administration (Schedule)	-	370,703	988	371,691	374,804
Fundraising	-	1,062	-	1,062	6,066
Shows, competitions and events	-	3,559	-	3,559	16,788
Bursaries	-	4,743	-	4,743	6,530
Athletic Centre	-	32,324	-	32,324	72,287
Other	-	17,597	-	17,597	39,004
	-	849,379	988	850,367	1,418,078
Excess (deficiency) of revenue over expenses before other item and income taxes	-	(236,129)	4,096	(232,033)	(127,646)
Government assistance (Note 12)	-	213,008	-	213,008	-
Excess (deficiency) of revenue over expenses before income taxes	-	(23,121)	4,096	(19,025)	(127,646)
Income taxes (Note 14)	-	2,447	3,182	5,629	7,970
Excess (deficiency) of revenue over expenses	\$ -	\$ (25,568)	\$ 914	\$ (24,654)	\$ (135,616)

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

Kitchener-Waterloo Skating Club Statement of Cash Flows

For the year ended March 31	2021	2020
Cash flows from operating activities		
Deficiency of revenue over expenses Item not involving cash	\$ (24,654)	\$ (135,616)
Amortization of tangible capital assets	10,152	10,564
	(14,502)	(125,052)
Changes in non-cash working capital balances		
Accounts receivable and accrued interest	(27,652)	3,919
Prepaid expenses	142	(150)
Accounts payable and accrued liabilities	57,173	(131,645)
Due to eligible skaters	(142,281)	166,809
Deferred revenue	74,985	(194,729)
	(52,135)	(280,848)
Cash flows from investing activities		
Purchase of tangible capital assets	-	(6,185)
Purchase of investments	(512,250)	(150,000)
Proceeds on sale of investments	416,503	337,999
	(95,747)	181,814
Cash flows from financing activities		
Proceeds from long-term debt	60,000	-
	60,000	-
Decrease in cash during the year	(87,882)	(99,034)
Cash, beginning of year	383,933	482,967
Cash, end of year	\$ 296,051	\$ 383,933

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

Kitchener-Waterloo Skating Club

Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies

Nature of Operations	Kitchener-Waterloo Skating Club (KWSC) was incorporated without share capital on September 28, 1938 under the laws of Ontario. The organization was established to encourage and increase interest in the art of figure skating and to provide facilities for the same.
Basis of Accounting	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).
Fund Accounting	<p>KWSC follows the restricted fund method of accounting.</p> <p>The Operating Fund accounts for the organization's program delivery and administrative activities.</p> <p>The Bursary Fund accounts for all amounts collected and disbursed for the Carolyn Fedy Skater Development bursary and the Margaret McNeice bursary.</p> <p>The KWSC Trust Fund is governed under a separate Trust Agreement, which is administered by its own Trustees. The fund is designed to provide assets and services to members of the Club as may be necessary to teach and encourage skating within the community.</p>
Harmonized Sales Tax	The organization remits and recovers HST on revenues and expenses generated from athletic complex, ice and room rental activities.
Donated Materials and Services	Donated materials and services which would otherwise be paid for by the organization are recorded at fair market value when determinable. Volunteers contribute a significant amount of time to the organization's program and supporting services. Due to the difficulty of determining the fair value, contributed time is not recognized in the financial statements.

Kitchener-Waterloo Skating Club Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The organization follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue in the appropriate fund in the year they are received. Restricted contributions, where no corresponding fund is set up, are recognized in the operating fund using the deferral method. Revenue is then recognized when the corresponding expenditure is 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. Amounts received in advance are recorded as deferred revenue.

Restricted investment income is recognized as revenue in the appropriate restricted fund when earned. Unrestricted investment income is recognized as revenue in the Operating Fund when earned.

Restricted investment income is recognized as revenue in the appropriate restricted fund when earned. Unrestricted investment income is recognized as revenue in the operating fund when earned.

Registration income is recognized as revenue in the Operating Fund in the period in which the program takes place.

Government Assistance

Government assistance received during the year for current expenses is included in the statement of operations.

Kitchener-Waterloo Skating Club Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Tangible Capital Assets Tangible capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment and software	- 30% diminishing balance basis
Fitness equipment	- 20% diminishing balance basis
Office furniture and equipment	- 20% diminishing balance basis
Leasehold improvements	- 10% straight line basis
Facility equipment	- 10% straight line basis

Amortization is prorated in the year of acquisition and no amortization is provided in the year of disposal.

Tangible capital assets are reviewed for impairment when conditions indicate that the tangible capital asset no longer contributes to the organization's ability to provide goods and services, or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value.

Financial Instruments Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in sale or circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue 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.

2. Cash

The organization's bank accounts are held at two chartered banks and earn nominal interest.

Kitchener-Waterloo Skating Club Notes to Financial Statements

March 31, 2021

3. Short-term Investments

	Maturity Date	Interest Rate	Face Value
<u>Bursary and Operating Funds</u>			
Guaranteed Investment Certificate	May 19, 2021	0.10%	\$ 50,000
Guaranteed Investment Certificate	January 20, 2022	0.25%	100,000
Guaranteed Investment Certificate	March 28, 2022	2.20%	<u>200,000</u>
			<u>350,000</u>
 <u>KWSC Trust Fund</u>			
Guaranteed Investment Certificate	April 13, 2021	2.25%	<u>45,000</u>
			<u>\$ 395,000</u>

Prior year short-term investments included Guaranteed Investment Certificates totaling \$366,503 in the Bursary and Operating Funds and \$50,000 in the KWSC Trust Fund.

4. Accounts Receivable

	2021	2020
Accounts receivable, trade	\$ 9,985	\$ 5,458
Grant receivable from the City of Kitchener	16,422	16,422
Accounts receivable, government assistance (Note 12)	28,343	-
Accrued interest on investments	<u>3,904</u>	<u>9,122</u>
	<u>\$ 58,654</u>	<u>\$ 31,002</u>

5. Interfund Receivable

Amounts due to/from Operating Fund and KWSC Trust Fund are non-interest bearing and due on demand.

Kitchener-Waterloo Skating Club Notes to Financial Statements

March 31, 2021

6. Long-term Investments

	Maturity Date	Interest Rate	Face Value
<u>Bursary and Operating Funds</u>			
Guaranteed Investment Certificate	September 29, 2022	0.45%	\$ 100,000
Guaranteed Investment Certificate	January 17, 2023	2.25%	<u>102,250</u>
			<u>202,250</u>
<u>KWSC Trust Fund</u>			
Guaranteed Investment Certificate	April 8, 2022	1.96%	10,000
Guaranteed Investment Certificate	April 13, 2022	2.40%	50,000
Guaranteed Investment Certificate	March 12, 2023	3.08%	10,000
Guaranteed Investment Certificate	March 12, 2023	3.08%	30,000
Guaranteed Investment Certificate	April 18, 2023	3.14%	35,000
Guaranteed Investment Certificate	May 31, 2023	3.31%	<u>20,000</u>
			<u>155,000</u>
			<u>\$ 357,250</u>

Prior year long-term investments included Guaranteed Investment Certificates totaling \$100,000 in the Bursary and Operating Funds due in January 2023 and \$140,000 in the KWSC Trust Fund due between April 2021 and May 2023.

7. Tangible Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment and software	\$ 100,426	\$ 97,227	\$ 100,426	\$ 95,856
Fitness equipment	118,209	113,045	118,209	111,754
Office furniture and equipment	154,119	145,975	154,119	143,938
Leasehold improvements	53,543	50,590	53,543	50,196
Facility equipment	50,593	11,383	50,593	6,324
	<u>\$ 476,890</u>	<u>\$ 418,220</u>	<u>\$ 476,890</u>	<u>\$ 408,068</u>
Net book value		<u>\$ 58,670</u>		<u>\$ 68,822</u>

Kitchener-Waterloo Skating Club Notes to Financial Statements

March 31, 2021

8. Accounts Payable and Accrued Liabilities

Included in accounts payable are government remittances of \$2,698 (2020 - \$9,739).

9. Due to Eligible Skaters

This amount relates to refunds payable to skaters for programs that were cancelled due to the COVID-19 pandemic.

10. Long-term Debt

The Canada Emergency Business Account ("CEBA") provided an interest-free loan of \$60,000. The agreement with respect to the CEBA loan payable contains a forgiveness for early repayment clause where if \$40,000 is repaid on or prior to the initial term date of December 31, 2022, the bank will forgive the remaining \$20,000 of the loan amount as of the initial term date provided that an event of default has not occurred. If any part of the balance is not repaid by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly, effective January 1, 2021. The full balance must be repaid no later than December 31, 2025.

11. Grants and Donations

During the year, the organization received grants from the City of Kitchener in the amount of \$16,422 (2020 - \$16,422) and the City of Waterloo in the amount of \$9,000 (2020 - \$9,000).

Kitchener-Waterloo Skating Club Notes to Financial Statements

March 31, 2021

12. Government Assistance

The organization received the Canada Emergency Wage Subsidy (CEWS) from the Government of Canada for all 14 available periods in fiscal 2021. The total amount that was received or became receivable was recorded as other revenue and totalled \$213,008. The relevant terms and conditions of the CEWS grant required the organization to have an open payroll program account with the CRA as at March 15, 2020, incur specific revenue reductions, and file a wage subsidy application for the claim period within the appropriate time period. Management of the organization has determined that the organization does not have an obligation to repay the Government of Canada for this subsidy as they have determined that the organization has met all applicable eligibility criteria.

The total receivable amount at year-end related to the CEWS program is \$28,343.

During the year, the organization received rent relief in the amount of \$190,587 as a result of the COVID-19 pandemic. Program expenses are shown net of rent relief.

13. Commitments

The organization has an operating lease for its premises under a lease expiring in December 2022. The lease requires 3,500 hours of annual ice rental at Carolyn Fedy Skating Centre and includes rent for the athletic centre. There is a renewal option for an additional 2 years after January 2023, 18 months of notice is required.

The minimum annual lease payments for the next two years are as follows:

2021/2022	\$	445,101	
2022/2023		<u>337,567</u>	(January to March 2023 not included)
	\$	<u>782,668</u>	

14. Income Taxes

The organization is subject to income taxes on investment income in excess of \$2,000 and is required to file a T3 Trust Income Tax return for the fiscal period ending December 31. A provision for income taxes has been included in the statement of operations.

Kitchener-Waterloo Skating Club Notes to Financial Statements

March 31, 2021

15. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments which potentially subject the organization to concentrations of credit risk consist of cash, accounts receivable and short and long-term investments. The short and long-term investments are described in Notes 3 and 6, respectively. The organization has deposited the cash and investments with reputable financial institutions, from which management believes the risk of loss to be remote. The credit risk associated with accounts receivable is minimal as receivables mainly relate to grant funding received after the year end and accrued interest on investments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

The interest rate risk related to the fixed income denominated investments has increased due to the impact of COVID-19, which could lead to changes in prevailing market interest rates. The extent of any future impact on the market interest rates and the corresponding effect on the organization's fixed income denominated investments is unknown.

Apart from the specific comments above related to COVID-19, these risks have not changed from the prior year.

16. Uncertainty Related to COVID-19

During the year, the impact of COVID-19 on the Canadian economy increased significantly. Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration of business disruption and related financial impact cannot be reasonably estimated at this time. This may impact the organization through a decrease in future revenue as a result of the inability to run its programs during periods of provincial lockdown. In addition, if the impacts of COVID-19 continue there could be further impact on the organization and its customers, suppliers, and other third party business associates that could impact the timing and amounts realized on the organization's assets and future profitability. At this time, the full potential impact of COVID-19 on the entity is not known.

Subsequent to year-end the organization received COVID-19 related grants in the amount of \$40,000 to support their next fiscal year.

Kitchener-Waterloo Skating Club Schedule of Administration Expenses

For the year ended March 31			2021	2020
	Operating Fund	KWSC Trust Fund	Total	Total
Advertising and promotion	\$ 2,712	\$ -	\$ 2,712	\$ 7,000
Amortization	10,152	-	10,152	10,564
Computer maintenance	13,804	-	13,804	13,949
Insurance	2,126	-	2,126	2,901
Online licensing fee	4,516	-	4,516	11,335
Printing, stationery and office supplies	2,593	-	2,593	6,517
Professional fees	26,751	988	27,739	42,646
Salaries and benefits	301,887	-	301,887	270,974
Telephone	5,606	-	5,606	5,541
Volunteer expenses	556	-	556	3,377
	\$ 370,703	\$ 988	\$ 371,691	\$ 374,804

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