

SKATE ONTARIO
FINANCIAL STATEMENTS
JUNE 30, 2021

Independent Auditor's Report

To the Members of Skate Ontario

Opinion

We have audited the financial statements of Skate Ontario (the "Organization"), which comprise the statement of financial position as at June 30, 2021, and the statement of operations, changes in net assets 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 Organization as at June 30, 2021, 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.

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 Organization 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.

Other Matter

The financial statements for the 15-month period ended June 30, 2020, were audited by another firm who expressed an unmodified opinion on August 25, 2020.

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 ability of the Organization 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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Organization.

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 the financial statements.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 internal control of the Organization.
- 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 ability of the Organization 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 Organization 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Toronto, Ontario
August 25, 2021

Chartered Professional Accountants
Licensed Public Accountants

SKATE ONTARIO

Statement of Financial Position

June 30	2021 \$	2020 \$
ASSETS		
Current assets		
Cash	345,390	817,184
Investments (note 3)	3,084,758	1,991,848
Accounts receivable (note 8)	171,378	12,168
Inventory	19,478	32,761
Prepaid expenses	32,848	25,959
	3,653,852	2,879,920
Long-term assets		
Capital assets (note 4)	77,356	116,437
	3,731,208	2,996,357
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	511,233	636,362
Deferred revenue (note 6)	86,204	13,702
	597,437	650,064
Long term liabilities		
CEBA loan payable (note 8)	60,000	-
	657,437	650,064
NET ASSETS		
Unrestricted	2,996,415	2,229,856
Invested in capital assets	77,356	116,437
	3,073,771	2,346,293
	3,731,208	2,996,357

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board:

Director

Director

SKATE ONTARIO

Statement of Operations

Year ended June 30	2021 \$	2020 \$ <i>(note 9)</i>
Revenue		
Government grants		
Ontario Government base funding	260,513	260,513
Ontario High Performance Sports Initiative Program (OHPSI)	40,397	23,460
Federal Sport Participation Program	16,148	-
Ontario Trillium Foundation	8,900	-
	325,958	283,973
Events	58,563	2,172,742
Registration fees	651,471	1,608,008
Sponsorship and fundraising	73,540	157,447
Education and training	61,635	187,635
Sport development	2,340	31,155
Miscellaneous	17,254	85,505
Investment income (note 3)	167,784	112,376
Hosting grant	-	32,650
	1,358,545	4,671,491
Expenses		
Employee and contracted personnel	1,183,058	1,798,378
Other operational and program support	346,906	852,986
Events	64,170	1,960,725
Sports development	182,515	486,719
Ontario Trillium Foundation	8,900	-
	1,785,549	5,098,808
Excess of expenses over revenues before other income	(427,004)	(427,317)
Other income		
Government assistance (note 8)	755,125	159,978
Skate Canada COVID-19 support	171,478	-
Other non-recurring contributions received	227,879	-
Excess of revenues over expenses (expenses over revenues) for year	727,478	(267,339)

The accompanying notes are an integral part of these financial statements

SKATE ONTARIO

Statement of Changes in Net Assets

Year ended June 30

	2021			
	Balance - Beginning of year	Excess of revenues over expenses (expenses over revenues) for year	Other transfers from (to)	Balance - End of period
	\$	\$	\$	\$
Unrestricted	2,229,856	769,619	(3,060)	2,996,415
Invested in capital assets	116,437	(42,141)	3,060	77,356
	<u>2,346,293</u>	<u>727,478</u>	<u>-</u>	<u>3,073,771</u>

15-month period ended June 30

	2020			
	Balance - Beginning of period	Excess of expenses over revenues for period	Other transfers from (to)	Balance - End of period
	\$	\$	\$	\$
Unrestricted	2,518,402	(216,268)	(72,278)	2,229,856
Invested in capital assets	95,230	(51,071)	72,278	116,437
	<u>2,613,632</u>	<u>(267,339)</u>	<u>-</u>	<u>2,346,293</u>

The accompanying notes are an integral part of these financial statements

SKATE ONTARIO

Statement of Cash Flows

Year ended June 30	2021 \$	2020 \$
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues) for year	727,478	(267,339)
Adjustments for non-cash items		
Reinvested investment income	(23,443)	(60,456)
Amortization of capital assets	42,141	51,071
Change in fair value of investments	(106,388)	(42,605)
	639,788	(319,329)
Change in non-cash working capital items		
Decrease (increase) in Accounts receivable	(159,210)	327,282
Decrease (increase) in Inventory	13,283	(19,601)
Increase in Prepaid expenses	(6,889)	(3,604)
Increase (decrease) in Accounts payable and accrued liabilities	(125,129)	309,307
Increase in Deferred revenue	72,502	2,232
	434,345	296,287
Cash flows from investing activities		
Purchase of capital assets	(3,060)	(72,278)
Purchase of investments	(3,013,392)	-
Proceeds on disposal of investments	2,050,313	200,000
	(966,139)	127,722
Cash flows from financing activities		
Proceeds received from CEBA loan	60,000	-
	60,000	-
Net change in cash	(471,794)	424,009
Cash, beginning of year	817,184	393,175
Cash, end of year	345,390	817,184

The accompanying notes are an integral part of these financial statements

SKATE ONTARIO

Notes to the Financial Statements

June 30, 2021

Nature of operations

Skate Ontario (the "Organization") is incorporated without share capital. The Organization is a not-for-profit organization under subsection 149(1)(l) of the Income Tax Act (Canada) and is exempt from income taxes.

The Organization's purpose is to promote and develop figure skating in Ontario.

1. Significant accounting policies

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations and are in accordance with Canadian generally accepted accounting principles. These financial statements have been prepared within the framework of the significant accounting policies summarized below:

(a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted grants are deferred and recognized as revenue in the period in which the related expense occurs.

Contributions from governments, foundations and other funding agencies that are not for a specific purpose are recognized as revenue when received or receivable.

Revenue from events is recognized when the event takes place.

Interest is recorded as revenue when earned.

Other income is recorded when collection is reasonably assured.

(b) Government assistance

Government assistance is recognized in income when the related expenses are incurred or when there is reasonable assurance that the Organization has complied or will comply with the conditions of the assistance, and collection is reasonably assured.

(c) Investments

Investments are recorded at fair value. Investment income, including unrealized changes in fair value, are recognized in the statement of operations in the year they occur.

(d) Inventory

The Organization's inventory, which consists of various branded clothing, merchandise and other miscellaneous items is recorded at the lower of cost and net realizable value.

Notes to the Financial Statements (continued)

June 30, 2021

1. Significant accounting policies (continued)

(e) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as an asset; otherwise, costs are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Capital assets are measured at cost less accumulated amortization and accumulated impairment losses.

The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The estimated useful lives are as follows:

Office furniture and equipment	5 years
Event equipment	5 years

A capital asset is tested for impairment whenever events or changes in circumstance indicate that its carrying amount may not be recoverable. An impairment loss is recognized in the statements of operations when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the capital asset exceeds its fair value. Any impairment of capital assets is charged to income in the period in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

(f) Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and CEBA loan payable.

Financial assets measured at fair value include investments.

Notes to the Financial Statements (continued)

June 30, 2021

1. **Significant accounting policies (continued)**

(f) **Financial instruments (continued)**

(ii) **Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write-down reflects the difference between the carrying amount and the higher of:

- the present value of the cash flows expected to be generated by the asset or group of assets; or
- the amount that could be realized by selling the assets or group of assets.

When events occurring after the impairment date confirm that a reversal is necessary, the reversal is recognized in the statement of income up to the amount of the previously recognized impairment. The amount of the reversal is recognized in income in the period that the reversal occurs.

(g) **Net assets invested in capital assets**

Net assets invested in capital assets comprise the net book value of capital assets.

(h) **Contributed Goods and Services**

The value of goods and services contributed to the Organization is not reflected in these financial statements.

(i) **Management 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 reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Key areas of estimation where management has made difficult, complex or subjective judgments, include those relating to the estimated HST payable included in accounts payable and accrued liabilities in the amount of \$412,000 (2020 - \$412,000). Actual results could differ from these and other estimates, the impact of which would be recorded in future affected periods.

SKATE ONTARIO

Notes to the Financial Statements (continued)

June 30, 2021

2. Financial instrument risk management

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Organization's financial instruments.

Financial instrument	Risks				
	Credit	Liquidity	Market risk		
Currency			Interest rate	Other price	
Cash	X				
Investments - Guaranteed investment certificates	X			X	
Investments - Exchange traded funds and mutual funds	X				X
Accounts receivable	X				
Accounts payable and accrued liabilities		X			
CEBA loan payable		X			

Credit risk

The Organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Organization could incur a financial loss. The Organization does not hold directly any collateral as security for financial obligations of counterparties

The maximum exposure of the Organization to credit risk is as follows:

	2021	2020
	\$	\$
Cash	345,390	817,184
Investments	3,084,758	1,991,848
Accounts receivable	171,378	12,168
	<u>3,601,526</u>	<u>2,821,200</u>

The Organization reduces its exposure to the credit risk with respect to cash and investments by maintaining their respective balances with Canadian financial institutions.

Credit risk associated with accounts receivable is reduced by closely monitoring outstanding balances.

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Notes to the Financial Statements (continued)

June 30, 2021

2. Financial instrument risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors. The Organization's maximum liquidity risk is as follows:

	2021	2020
	\$	\$
Accounts payable and accrued liabilities	511,233	636,362
CEBA loan payable	60,000	-
	<u>571,233</u>	<u>636,362</u>

The Organization reduces its exposure to liquidity risk by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

- i) **Currency risk** - Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Organization has no exposure to currency risk because it undertakes no significant foreign denominated transactions and has no foreign denominated financial instruments.
- ii) **Interest rate risk** - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Organization is exposed to interest rate risk on the maturity of its guaranteed investment certificates (note 3). Fluctuations in market rates of interest do not have a significant impact on the results of the Organization's operations, and as a result, the Organization does not use derivative financial instruments to manage its exposure to interest rate risk.
- iii) **Other price risk** - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all similar instruments traded in the market. The Organization is exposed to other price risk on its exchange traded funds and mutual funds (note 3).

Changes in risk

Liquidity risk has increased as a result of the receipt of the CEBA loan (note 8).

SKATE ONTARIO

Notes to the Financial Statements (continued)

June 30, 2021

3. Investments

	2021	2020
	\$	\$
Cash	5,876	1,923
Guaranteed investment certificates	764,830	687,629
Exchange traded funds	978,781	567,155
Mutual funds	1,335,271	735,141
	<u>3,084,758</u>	<u>1,991,848</u>

Guaranteed investment certificates bear interest at fixed rates ranging from 0.81% to 3.41% (2020 – 2.36% to 3.41%), and mature between 2022 and 2026 (2020 – 2021 and 2025). The Organization's investments in exchange traded funds and mutual funds are subject to the terms and conditions of the respective fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those funds.

Investment income is comprised of:

	2021	2020
	\$	\$
Interest and net distributions	61,396	69,771
Change in fair value of investments	106,388	42,605
	<u>167,784</u>	<u>112,376</u>

4. Capital assets

	2021		
	Cost	Accumulated	Net Book
	\$	Amortization	Value
	\$	\$	\$
Office furniture and equipment	93,744	70,540	23,204
Event equipment	133,589	79,437	54,152
	<u>227,333</u>	<u>149,977</u>	<u>77,356</u>
	2020		
	Cost	Accumulated	Net Book
	\$	Amortization	Value
	\$	\$	\$
Office furniture and equipment	90,684	52,704	37,980
Event equipment	133,589	55,132	78,457
	<u>224,273</u>	<u>107,836</u>	<u>116,437</u>

SKATE ONTARIO

Notes to the Financial Statements (continued)

June 30, 2021

5. Government remittances

Government remittances of \$412,000 (2020 - \$412,000) are included in accounts payable and accrued liabilities.

6. Deferred Revenue

	2021 \$	2020 \$
Balance, beginning of year	13,702	11,470
Contributions received in the year	265,364	229,998
Revenue recognized in the year	(192,862)	(227,766)
Balance, end of year	<u>86,204</u>	<u>13,702</u>

7. Commitments

At the end of the year, the Organization is committed to the following lease payments with respect to its office space:

2022	\$ 91,031
2023	7,586
	<u>\$ 98,617</u>

8. Impact of global pandemic and government assistance

The global pandemic of the virus known as COVID-19 has led the Canadian Federal government, as well as provincial and local governments, to impose measures, such as restricting foreign travel, mandating self-isolations and physical distancing and closing non-essential businesses. Because of the high level of uncertainty related to the outcome of this pandemic, it is difficult to estimate the financial effect on the Organization. As such, no adjustments have been made in the financial statements as a result of these events.

During the year, the Organization received the following government assistance as a result of COVID-19:

	2021 \$	2020 \$
Canada Emergency Wage Subsidy	570,178	159,978
Emergency Support Funds for Sports Organizations	111,199	-
Emergency Support Funds for Provincial Sport and Multi-Sport Organizations	73,748	-
Total government assistance received	<u>755,125</u>	<u>159,978</u>

SKATE ONTARIO

Notes to the Financial Statements (continued)

June 30, 2021

8. Impact of global pandemic and government assistance (continued)

Canada Emergency Wage Subsidy ("CEWS")

The CEWS provides a subsidy of up to 75% of eligible remuneration, paid by the Organization, to each eligible employee – up to a pre-determined maximum per period. Included in government assistance is \$570,178 (2020 - \$159,978) of CEWS funding recognized during the year. The assistance received under the CEWS program is not subject to any specific future terms or conditions; however, the Canadian Revenue Agency may require additional reporting in a future period to verify the Organization's eligibility and compliance with terms and conditions.

COVID-19 Emergency Support Funds for Sports Organizations

The funding received under this Federal government program is to support eligible Ontario Provincial Sport and Multi-Sport Organization's to maintain their ongoing operations and to support the return of sport once it is safe to do so. These funds are not to be used to cover expenditures under any other government COVID-19 emergency measures and were required to be spent by March 31, 2021. The assistance received under this program is not subject to any specific future terms or conditions.

COVID-19 Emergency Support Funds for Provincial Sport and Multi-Sport Organizations

The funding received under this Ontario government program are to be used to assist with sustaining the Organization's operations to ensure ongoing viability so when it is safe to return to play, the sport sector will be ready to deliver programming to support the development of athletes, coaches and officials and must be spent by July 31, 2021. The assistance received under this program is not subject to any specific future terms or conditions.

Funding to Community Sport Clubs

The funding received under this program was to be used by the Organization towards supporting community sport clubs that are members of the eligible recognized Provincial Sport Organizations in Ontario. This funding will support community sport clubs across the province in sustaining their organizations and prepare for when sport is able to return safely. Community sport clubs supported through this funding are required to demonstrate expenses incurred related to the COVID-19 pandemic. To administer the funding to the community sport clubs, the Organization is eligible to retain 10% of the amount received. During the year, the Organization received funding of \$124,054 under this program which were then fully distributed to community sport clubs. No fee was earned by the Organization during the year with respect to the administration of this funding.

Canada Emergency Benefit Account ("CEBA")

The Organization received loans under the Canadian Emergency Benefit Account program, totaling \$60,000 for the payment of non-deferrable expenses. During the initial term ending December 31, 2022, the Organization is not required to repay any portion of the loan and no interest shall accrue. If the Organization repays 75% of the loan by December 31, 2022, the remainder of the loan is eligible to be forgiven if certain terms and conditions are met. If the Organization does not repay the loan by December 31, 2022, the loan will bear interest at a rate of 5% per annum and be subject to negotiated repayment terms at that time.

Included in accounts receivable is \$120,696 (2020 - \$nil) of CEWS and \$20,000 (2020 - \$nil) of CEBA loan proceeds receivable. These amounts were collected in full subsequent to year end.

SKATE ONTARIO

Notes to the Financial Statements (continued)

June 30, 2021

9. **Comparative figures**

The financial statements have been reclassified, where applicable, to conform with the presentation used in the current year. The changes do not affect prior year earnings.

HILBORN

LISTENERS. THINKERS. DOERS.