Financial Statements of

CLIMBING ESCALADE CANADA

And Independent Auditors' Report thereon

Year ended September 30, 2020

KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

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 September 30, 2020
- 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 September 30, 2020, and its results of 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

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

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

Emphasis of Matter – Significant Judgements related to Going Concern

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

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's 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
December 14, 2020

CLIMBING ESCALADE CANADA

Statement of Financial Position

September 30, 2020, with comparative information for 2019

		2020		2019
Assets				
Current assets:				
Cash	$	232,790	$	37,838
Accounts receivable (note 6)		27,102		10,070
Olympic games deposits		2,840		–
Prepaid expenses		1,005		–
Advances to related parties (note 5)		–		37
		263,737		47,945
Capital assets (note 3)		1,412		3,138
	$	265,149	$	51,083
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accruals (note 4)	$	25,536	$	19,242
Deferred revenue		57,095		5,210
		82,631		24,452
Net assets		182,518		26,631
	$	265,149	$	51,083

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 September 30, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Sport Canada funding (note 6)	$ 214,505	$ 21,482
Climbers’ fees	189,699	193,223
Sponsorship	125,000	125,000
Youth National team	–	103,113
Selection camp	–	60,990
Canada Emergency Wage Subsidy (note 6)	47,429	–
Grants and donations	2,000	2,000
	578,633	505,808
Expenses:		
Operations and programming	140,092	256,808
Salaries and benefits	128,700	139,766
Governance	57,599	56,050
General and administration	38,175	28,740
National team programs	32,606	117,990
Sport development	16,537	–
Official languages	7,103	5,460
Amortization	1,726	3,835
Uniforms and other expenses	262	–
Exchange loss (gain)	(54)	841
	422,746	609,490
Excess (deficiency) of revenue over expenses	155,887	(103,682)
Net assets, beginning of year	26,631	130,313
Net assets, end of year	$ 182,518	$ 26,631

See accompanying notes to the financial statements.

CLIMBING ESCALADE CANADA

Statement of Cash Flows

Year ended September 30, 2020, with comparative information for 2019

	2020	2019
Cash flows provided by (used in):		
Operations:		
Excess (deficiency) of revenues over expenses	$ 155,887	$ (103,682)
Add items not affecting cash:		
Amortization of capital assets	1,726	3,835
	157,613	(99,847)
Change in non-cash working capital:		
Accounts receivable	(17,032)	83,101
Olympic games deposit	(2,840)	–
Prepaid expenses	(1,005)	–
Deferred revenues	51,885	5,210
Accounts payable and accrued liabilities	6,294	6,162
Advances from (to) related parties	37	(12,309)
	194,952	(17,683)
Investing:		
Purchase of capital assets	–	(4,819)
Increase (decrease) in cash	194,952	(22,502)
Cash, beginning of year	37,838	60,340
Cash, end of year	$ 232,790	$ 37,838

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.

1. COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. In response to these measures, effective March 2020, the Organization has suspended all events (including participation in the Tokyo Olympic games). As at the reporting date, the Organization has not resumed operations.

The Organization continues to manage liquidity risk (note 7) by updating budgets and assessing cash flow frequently. The Organization has been successful in receiving the Canada Emergency Wage Subsidy ("CEWS") which has been ongoing into fiscal 2021 as disclosed in note 6.

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

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

(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.

2. Significant accounting policies (continued):

(b) Contributed materials and services:

Contributions of materials and services are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations, and would otherwise have been purchased.

No contributions of materials and services have been recognized in these financial statements.

(c) Cash:

Cash includes balances with banks held with Canadian financial institutions.

(d) Capital assets:

Purchased capital assets are recorded at cost.

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%

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.

Contributed capital 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 tangible capital asset. If the estimated fair value cannot be reasonably determined, such donations are not recorded.

(e) 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.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Transaction costs and financing fees directly attributable to financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost when there is an indication of impairment. Any impairment which is not considered temporary is included in current year excess of revenue over expenses.

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

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reporting accounts of assets and liabilities at the date of the financial statements and the reporting amounts of revenue and expenses during the period. Such estimates include the following:

Accounts receivable are stated after evaluations as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful life of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

As at September 30, 2020, the Organization had a working capital surplus of $181,106 (2019 - $23,493), excess of revenues over expenses of $155,887 (2019 – deficiency of $103,682) and cash flows from operations of $194,952 (2019 – negative cash flows of $17,683). The Organization’s ability to continue as a going concern is dependent upon its ability to adjust its operations such that expenditures are matched to available cash resources/revenue and continue to obtain funding from grants and sponsorships and climber’s fees sufficient to meet current and future obligations. Management has been required to utilize significant judgement related to the Organization’s ability to continue as a going concern and adjust operations and

2. Significant accounting policies (continued):

(f) Measurement uncertainty (use of estimates) and significant judgments related to going concern (continued):

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

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

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

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

(g) Changes in accounting policies:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions- Accounting Standards Improvements for Not-for-Profit Organizations" resulting in the introduction of one new handbook section in the Accounting Standards for Not-for- Part III of the Handbook as follows:

A. Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Part II of the Handbook. In so doing, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

   This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed as at October 1, 2019.

B. Section 4434, Intangible assets held by not-for-profit organizations, which directs organizations to annually assess intangible assets, and where applicable to record an impairment expenses should the net carrying value be higher than the asset's fair value or replacement cost.

2. Significant accounting policies (continued):

(g) Changes in accounting policies (continued):

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairment of intangible assets that existed as at October 1, 2019.

C. Section 4441, Collections held by not-for-profit organizations, which defines a collection and directs organizations to record such assets on the statement of financial position at either cost or nominal value. It is anticipated that all collections will be accounted for using the same method, with the exception of organizations that opt to account for collections at cost, whereby the cost for certain collections either held or contributed cannot be determined. Such items are to be accounted for at a nominal value. In addition, collections are written down when there is evidence that the net carrying amount exceeds fair value.

Organizations are permitted to retrospectively capitalize collections at their cost or fair value at the date of acquisition, or fair value or replacement cost as at October 1, 2019, based on the most readily determinable value. In addition, an adjustment to opening net assets is permitted to recognize any partial impairment of the value of collections that existed as at October 1, 2019.

The amendments are effective for financial statements for fiscal years beginning on or after January 1, 2019. The implementation of these changes had no impact on the financial statements.

3. Capital assets:

			2020	2019
	Cost	Accumulated depreciation	Net book value	Net book value
Website	$ 9,606	$ 8,194	$ 1,412	$ 3,138

4. Accounts payable and accruals:

Included in accounts payable and accrued liabilities are government remittances payable of $3,677 (2019 – $1,779) which includes amounts payable for payroll related taxes.

5. Advances to/from related parties:

Advances to/from related parties consist of amounts owing from directors and employees of the Organization. The advances are unsecured, bear no interest and have no fixed terms of repayment.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Government assistance:

The Organization is eligible to receive grants from Sports Canada under the Sport Support Program. A total of $214,505 (2019 – $21,482) was recognized in in revenues on the statement of operations for the year ended September 30, 2020. 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 companies who experienced a drop in revenues resulting from the COVID-19 outbreak. During the year, the Organization met the eligibility requirements and received $20,327 (2019 – $nil). The Organization accrued an additional $27,102 (2019 – $nil) for future CEWS applications relating to fiscal 2020. The entire amount has been recognized in revenues on the statement of operations for the year ended September 30, 2020.

7. Financial instruments:

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

(i) Credit risk:

The Organization monitors credit risk by assessing the collectability of the amounts. The Organization mitigates its credit risk on cash by dealing with Canadian commercial banks in which cash is held.

(ii) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no changes to the risk exposure since 2019 other than the potential impact of COVID-19 as disclosed in note 1 and based on certain judgements made by management in note 2(f).