

NATIONAL SKI ACADEMY

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of National Ski Academy:

Qualified Opinion

We have audited the financial statements of National Ski Academy ("the Academy"), which comprise the balance sheet as at June 30, 2020, and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Academy as at June 30, 2020, and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

The Academy derives part of its income from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Academy and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenues over expenses for the year and net assets.

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 Academy's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Academy or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Academy'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 Academy'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 Academy'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 Academy 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.

Baker Tilly SGB LLP

Licensed Public Accountants
Collingwood, Ontario
September 30, 2020

NATIONAL SKI ACADEMY

BALANCE SHEET AS AT JUNE 30

	2020	2019
	\$	\$
Assets		
Current		
Cash	165,354	179,375
Accounts receivable (net of allowance \$NIL; 2019 - \$NIL)	34,458	54,206
Inventories	34,799	34,195
Prepaid expenses	33,807	43,175
Investments (Note 9)	334,697	276,728
	603,115	587,679
Tangible capital assets (Note 5)	1,092,397	1,109,648
	1,695,512	1,697,327
Liabilities		
Current		
Accounts payable and accruals	67,080	51,865
Deferred revenue (Note 6)	179,740	253,713
Current portion of long-term liabilities	10,871	13,833
	257,691	319,411
Long-term (Note 8)	513,520	481,680
Total liabilities	771,211	801,091
Deferred capital contributions (Note 3)	19,782	20,478
Net assets		
Unrestricted	846,048	816,768
Internally restricted - scholarship fund (Note 4)	58,471	58,990
Total net assets	904,519	875,758
	1,695,512	1,697,327

Approved on behalf of the board:

_____ Director

_____ Director

NATIONAL SKI ACADEMY

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JUNE 30

	2020	2019
	\$	\$
Revenue		
Tuition - Schedule 1	1,404,058	1,352,475
Donations and fundraising (net of scholarships awarded of \$263,407; 2019 - \$195,516) (Note 4)	127,437	220,600
Administrative fees	21,775	16,000
Amortization of deferred capital contributions (Note 3)	696	696
	1,553,966	1,589,771
Expenses		
Ski program - Schedule 1	783,968	723,493
Fundraising	2,083	13,221
Premises - Schedule 1	612,123	674,006
Tutor and education	127,031	129,435
Donations	-	20,773
	1,525,205	1,560,928
Excess of revenue over expenses before other items	28,761	28,843
Other expense		
Loss on disposal of tangible capital assets	-	(1,251)
Excess of revenue over expenses for the year	28,761	27,592

See accompanying notes to the financial statements

NATIONAL SKI ACADEMY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30

	Unrestricted Fund	Internally Restricted Scholarship Fund	Total 2020	Total 2019
	\$	\$	\$	\$
Net assets, beginning of the year	816,768	58,990	875,758	848,166
Excess of revenue over expenses for the year (Note 4)	7,505	21,256	28,761	27,592
Administration fees (Note 4)	21,775	(21,775)	-	-
Net assets, end of the year	846,048	58,471	904,519	875,758

See accompanying notes to the financial statements

NATIONAL SKI ACADEMY

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30

	2020	2019
	\$	\$
Cash flows from (for):		
Operating activities		
Excess of revenue over expenses for the year	28,761	27,592
Items not affecting cash		
Amortization	17,250	27,929
Loss on disposal of tangible capital assets	-	1,251
Amortization of deferred capital contributions	(696)	(696)
	45,315	56,076
Changes in		
Accounts receivable	19,748	3,910
Inventories	(604)	(304)
Prepaid expenses	9,368	(17,968)
Accounts payable and accruals	15,216	(16,644)
Deferred revenue	(73,973)	206,573
	15,070	231,643
Financing activities		
Repayment of long-term liabilities	(11,122)	(253,324)
Issuance of long-term liabilities	40,000	500,000
	28,878	246,676
Investing activities		
Purchase of tangible capital assets	-	(5,162)
Investments, net	(57,969)	(276,728)
	(57,969)	(281,890)
Change in cash	(14,021)	196,429
Cash position, beginning of year	179,375	(17,054)
Cash position, end of year	165,354	179,375

See accompanying notes to the financial statements

NATIONAL SKI ACADEMY

NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2020

Purpose of the organization

The Academy was incorporated in Ontario on March 7, 1986. The Academy operates a world class athletic and academic program for the training of alpine skiers to international, Olympic and post secondary education levels. The Academy is a fully accredited private school offering academics to their athletes as well as other members of the community requiring customized education. The mission of the Academy is to provide an environment for talented students/athletes to maximize individual potential through the pursuit of alpine ski racing excellence, academic achievement and personal growth. The Academy operates from its premises in Collingwood, Ontario. It is an exempt corporation under the Income Tax Act and is a registered charity.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (referred to as "ASNFP") and are in accordance with Canadian generally accepted accounting principles.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements:

(a) Financial instruments

The Academy considers any contract that creates a financial asset, a financial liability or equity instrument as a financial instrument, except in limited items such as leases and loan commitments.

Initial recognition and measurement

A financial asset or a financial liability is recognized when the Academy becomes a party to the contractual provisions of the financial instrument.

Financial assets originated or acquired or financial liabilities issued or assumed in an arm's length transaction, are initially measured at their fair value.

Subsequent measurement

Changes in fair value of investments in equity instruments, quoted in an active market, are recognized in excess of revenue over expenditures in the period incurred. All other financial assets and financial liabilities are measured at amortized cost.

Impairment

At the end of each reporting period, the Academy assesses whether there are any indications that financial assets measured at cost or amortized cost may be impaired.

(b) Contributed services

Volunteers contribute a significant number of hours and materials to assist the Academy in its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

NATIONAL SKI ACADEMY

NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2020

1. Significant accounting policies (continued)

(c) Revenue recognition

The Academy follows the deferral method of accounting for donations. Restricted donations relating to expenses are recognized as revenue in the year in which the related expenses are incurred. Unrestricted donations are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred capital contributions represent the contributed equipment and grants received which were restricted for the purpose of acquiring specific tangible capital assets. The contributions are amortized to revenue on the same basis as the related tangible capital assets are amortized.

Revenue from tuition, tutor fees, premises, training, race fees, donations, administrative fees and fundraising are recognized in the period which the services are offered.

Investment income is recognized on investments when received or receivable.

(d) Inventories

Inventories consist mainly of program materials to be used in the delivery of education programs. Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first in, first out method.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Significant estimates have been made of the useful lives of tangible capital assets. Actual results could differ from those estimates.

(f) Tangible capital assets

Tangible capital assets are stated at cost, which includes the purchase price and other acquisition costs such as installation, legal fees, survey costs, freight charges, transportation insurance costs and duties. Donated property and equipment are recorded at fair market value at the time of receipt. Amortization is provided to allocate the cost of assets over their estimated useful lives. Provision is made for amortization as follows:

Building	40 years straight-line
Building improvements	40 years straight-line
Furnishings	20 years straight-line
Equipment	15% and 30% declining balance
Computer equipment	3 years straight-line

NATIONAL SKI ACADEMY

NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2020

1. Significant accounting policies (continued)

(g) Investments

Investments are initially measured at fair value and gains and losses are recognized when the investment is sold.

2. Change in accounting policy

Effective July 1, 2019, the Academy prospectively adopted ASNPO Section 4433, "Tangible Capital Assets Held by Not-for-Profit Organizations" in accordance with its transitional provisions. This section replaces ASNPO Section 4431, "Tangible Capital Assets Held by Not-for-Profit Organizations" and provides guidance on amortization and componentization of tangible capital assets. Existing assets were not componentized. New additions will be examined to determine if they should be recognized as a separate component.

3. Deferred capital contributions

The deferred capital contributions represent a restricted contribution received from Trillium. Funds received in 2009 were used to finance the gymnasium floor. In 2013 flooring was donated by Georgian Design Centre. The changes during the year are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	20,478	21,174
Less amounts amortized to revenue	(696)	(696)
Balance, end of year	19,782	20,478

4. Internally restricted - scholarship fund

The Academy has segregated funds to assist with tuition for students. The changes during the year are as follows:

	2020	2019
	\$	\$
Donations received	284,663	186,000
Scholarships awarded	(263,407)	(195,516)
Excess (deficiency) of revenue over expenses	21,256	(9,516)

The net activity of this fund is reflected in donations revenue on the statement of operations.

During fiscal 2019, the Academy started the Elite Athlete Program in which donors donate directly to this fund. \$217,750 (2019 - \$176,000) was donated to this fund during the year, and \$198,000 (2019 - \$160,000) was awarded to various athletes. \$21,775 (2019 - \$16,000) was paid to the Academy as an administrative fee.

NATIONAL SKI ACADEMY

NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2020

5. Tangible capital assets

Tangible capital assets consist of the following:

	2020	2019
	\$	\$
Cost		
Land	475,000	475,000
Building	760,000	760,000
Building improvements	25,947	25,947
Furnishings	71,519	71,519
Equipment	140,442	140,442
Computer equipment	26,053	26,053
	1,498,961	1,498,961
Accumulated amortization		
Building	171,000	152,000
Building improvements	3,397	2,748
Furnishings	71,519	77,493
Equipment	135,210	132,967
Computer equipment	25,438	24,105
	406,564	389,313
Net book value	1,092,397	1,109,648

6. Deferred revenue

Deferred revenue for the year consists of the following:

	2020	2019
	\$	\$
Camps	-	18,025
Activity, grad and international fees	24,875	19,571
Tuition	154,865	216,117
	179,740	253,713

NATIONAL SKI ACADEMY

NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2020

7. Financial instruments

The Academy's financial instruments consist of cash, accounts receivable, investments, accounts payable and long-term liabilities. It is management's opinion that the Academy is not exposed to significant currency, market, or other price risks arising from these financial instruments.

(a) Liquidity risk

Liquidity risk is the risk that the Academy will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the Academy's cash requirements. The Academy has available to them a revolving line of credit in the amount of \$100,000 with an interest rate of prime plus 1.75% to help meet their short-term cash needs. \$NIL was outstanding at year end (2019 - \$NIL).

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Academy.

The Academy has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Academy is considered to relate to the class of assets described as "accounts receivable". The Academy has estimated an allowance for doubtful accounts of \$NIL (2019 - \$NIL) in order to account for the credit risk related to this asset class.

(c) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognized at the balance sheet date whereby a future change in interest rates will affect future cash flows or the fair value of fixed financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2020

8. Long-term liabilities

Long-term liabilities consists of the following:

	2020	2019
	\$	\$
5.49% loan payable to Royal Bank of Canada with blended payments of \$3,370 paid monthly. The loan is secured by the land and building located at 200 Oak Street, Collingwood. The loan was created out of restructuring the mortgage held by the Academy in prior years. Due September 2024.	484,391	495,513
Canada Emergency Business Account (Note 11)	40,000	-
	524,391	495,513
Less current portion	10,871	13,833
	513,520	481,680

Due to COVID-19, principal payments on the loan were deferred for April to October 2020. Repayment terms remain the same, but this deferral has extended the amortization period of the loan.

The expected principal payments (for the loan only) due in the next five years are as follows:

2021	\$	10,871
2022		15,124
2023		15,965
2024		16,788
2025 and thereafter		425,643

9. Investments

Investments include a GIC due March 10, 2021 with an interest rate of 1.00% and a book value of \$278,086 (2019 - GIC due March 9, 2020 with an interest rate of 1.65%) and mutual funds.

10. Commitments

The Academy entered into two operating lease agreements with 2635667 Ontario Inc. (operating as Mercedes-Benz Kitchener-Waterloo) for the lease of two Mercedes-Benz Sprinter vans. Both lease periods are for 36 months beginning November 2019. Monthly payments are \$865 each (HST inclusive). Combined lease payments for fiscal year 2021 are \$20,769, fiscal year 2022 is \$20,769 and fiscal year 2023 is \$8,654 (HST inclusive).

NATIONAL SKI ACADEMY

NOTES TO THE FINANCIAL STATEMENTS AS AT JUNE 30, 2020

11. Canada Emergency Business Account

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The measures introduced at various levels of government to curtail the spread of the virus, such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing, could mean that the Academy's revenues and collections are reduced. Management is actively monitoring the situation and will adjust operations to comply with all government and health recommendations, guidelines and best practices. The full effect of the possible impacts described above cannot be quantified at this time.

As part of the emergency measures introduced by the federal government the Academy has accessed the Canada Emergency Business Account (CEBA) loan through the Royal Bank of Canada. As a qualifying small business customer the Academy obtained a \$40,000 loan. Details of the loan are as follows:

0% interest until December 31, 2022.

No principal payments due until December 31, 2022.

Principal repayments can be voluntarily made at any time without fees or penalties.

\$10,000 loan forgiveness is available, provided outstanding balance is \$40,000 at December 31, 2020 and \$30,000 is paid back between January 1, 2021 and December 31, 2022.

If the balance is not paid 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, 2023.

The full balance must be repaid by no later than December 31, 2025.

Principal payments expected to be paid in the next five years, assuming the loan is not repaid early, are as follows:

	Principal \$	Interest \$	Total \$
2021	-	-	-
2022	-	-	-
2023	6,261	932	7,193
2024	12,991	1,395	14,386
2025 and thereafter	20,748	831	21,579

NATIONAL SKI ACADEMY

REVENUE AND EXPENSES SCHEDULE 1 FOR THE YEAR ENDED JUNE 30

	2020	2019
	\$	\$
Tuition revenue		
Tuition and tutor fees	1,133,420	1,157,405
Premises	146,620	160,669
Additional training and race fees	124,018	34,401
	1,404,058	1,352,475
Ski program expenses		
Coaching	234,166	157,498
Racing	100,188	145,136
Training	415,843	382,016
Vehicle and insurance (Note 10)	33,771	38,843
	783,968	723,493
Premises expenses		
Amortization	17,250	27,929
Bad debts	119	-
Contract labour	30,712	39,952
Food and supplies	42,285	63,700
Insurance	33,327	27,923
Interest and bank charges	5,193	6,585
Interest on long-term liabilities	26,950	22,374
Miscellaneous (net of revenue \$9,618; 2019 - \$12,115)	61,362	28,172
Office	17,960	16,330
Repairs and maintenance	16,444	39,540
Salaries and benefits (net of wage subsidy \$7,844; 2019 - \$NIL)	332,692	366,754
Telephone and postage	9,110	10,045
Utilities	18,719	24,702
	612,123	674,006

See accompanying notes to the financial statements