

**SOARING ASSOCIATION OF CANADA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

DRAFT

**Independent Auditors' Report
Statement of Financial Position
Statement of Revenue and Expenses
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to Financial Statements**

INDEPENDENT AUDITORS' REPORT

To the Members of:
Soaring Association of Canada

Opinion

We have audited the financial statements of Soaring Association of Canada, which comprise the statement of financial position as at December 31, 2019, and the statement of operations, statement of changes in net assets and cash flows statement 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 Soaring Association of Canada as at December 31, 2019, and the results of its operations and 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 described in the *Auditors' 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 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 relating 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 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 these financial statements. As part of an audit in accordance with Canadian generally accepted audit 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 controls.
- 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 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.

Frouin Group Professional Corporation
Ottawa, Ontario
To be dated

SOARING ASSOCIATION OF CANADA
AUDITED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 16,011	\$ 0
Short-term investments (Note 2b)	25,524	1,000,829
Accounts receivable	14,698	14,961
HST receivable	4,973	4,094
Inventory (Note 2d)	<u>12,009</u>	<u>5,475</u>
	73,215	1,025,359
LONG-TERM INVESTMENTS (Note 2b)	<u>1,587,080</u>	<u>497,818</u>
TOTAL ASSETS	<u>\$ 1,660,295</u>	<u>\$ 1,523,177</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank overdraft	\$ 0	\$ 5,083
Accounts payable and accrued liabilities	<u>17,230</u>	<u>11,477</u>
	17,230	16,560
DEFERRED CONTRIBUTIONS (Note 4)	<u>220,757</u>	<u>196,867</u>
TOTAL LIABILITIES	<u>237,987</u>	<u>213,427</u>
NET ASSETS		
Net assets internally-restricted for Pioneer Fund	1,005,812	934,886
Net assets internally-restricted for World Contest Fund	0	8,760
Net assets internally-restricted for Air Cadet and Youth Bursary fund	0	10,000
Unrestricted	<u>416,496</u>	<u>356,104</u>
	<u>1,422,308</u>	<u>1,309,750</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,660,295</u>	<u>\$ 1,523,177</u>

APPROVED ON BEHALF OF THE BOARD:

Director _____

Director _____

(See accompanying Notes to Financial Statements)

SOARING ASSOCIATION OF CANADA
AUDITED STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
REVENUES		
Membership fees	\$ 66,800	\$ 67,130
Sales and services	4,883	7,878
FTSC Support from Insurer	15,463	22,530
Youth Bursary and Air Cadet	1,951	5,671
World Contest Fund	0	2,600
Wolf Mix	0	7,111
Pan American Championship donations	22,450	0
Other	0	220
	<u>111,547</u>	<u>113,140</u>
EXPENSES		
World Contest Fund	0	2,600
World's Team support	0	17,448
Pan American Championship support	22,450	0
Management fees	24,000	24,000
Professional fees	5,750	3,900
Bursaries	9,819	12,936
Membership and subscriptions	6,550	6,670
Safety improvement program	3,338	30,179
Free Flight	11,375	971
Postage	575	376
Cost of sales	446	6,336
Miscellaneous	1,584	20
Meeting and travel	8,222	8,646
Meeting and travel - Flight Training and Safety	4,728	4,984
Flight simulator funding	1,000	0
D&O insurance	2,114	2,114
Contest hosting grant	13,000	7,000
Sporting committee	7,787	3,154
Bank and credit card charges	411	251
Awards and scholarships	0	111
Club Marketing & Publicity Support	6,157	6,391
Website	5,612	6,751
Office Supplies	23	0
Non refundable HST/GST (Note 6)	2,163	1,862
	<u>137,104</u>	<u>146,700</u>
EXCESS (DEFICIENCY) OF		
OPERATING REVENUE OVER EXPENSES	(25,557)	(33,560)
Net gain/(loss) on investment income	<u>138,115</u>	<u>(32,030)</u>
EXCESS (DEFICIENCY) OF		
REVENUE OVER EXPENSES FOR THE YEAR	\$ <u>112,558</u>	\$ <u>(65,590)</u>

(See accompanying Notes to Financial Statements)

SOARING ASSOCIATION OF CANADA
AUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
NET ASSETS INTERNALLY-RESTRICTED FOR PIONEER FUND		
Balance, beginning of year	\$ 934,886	\$ 987,313
Transfer of investment income from unrestricted net assets	98,973	(22,808)
Board-designated transfer to unrestricted net assets	<u>(28,047)</u>	<u>(29,619)</u>
Balance, end of year	<u>\$ 1,005,812</u>	<u>\$ 934,886</u>
NET ASSETS INTERNALLY-RESTRICTED TO WORLD CONTEST FUND		
Balance, beginning of year	\$ 8,760	\$ 8,300
Transfer (to) from unrestricted net assets (note 2g)	<u>(8,760)</u>	<u>460</u>
Balance, beginning and end of the year	<u>\$ 0</u>	<u>\$ 8,760</u>
NET ASSETS INTERNALLY-RESTRICTED FOR AIR CADET AND YOUTH BURSARY FUND		
Balance, beginning of year	\$ 10,000	\$ 10,000
Transfer (to) from unrestricted net assets (note 2g)	<u>(10,000)</u>	<u>0</u>
Balance, beginning and end of year	<u>\$ 0</u>	<u>\$ 10,000</u>
UNRESTRICTED NET ASSETS		
Balance, beginning of year	\$ 356,104	\$ 369,727
Excess (deficiency) of revenue over expenses	112,558	(65,590)
Net transfer (to) from net assets internally-restricted to Pioneer Fund	<u>(70,926)</u>	52,427
Transfer (to) from net assets internally-restricted to World Contest Fund (note 2g)	8,760	(460)
Transfer to net assets internally restricted for Air Cadet and Youth Bursary Fund (note 2g)	<u>10,000</u>	<u>0</u>
Balance, end of year	<u>\$ 416,496</u>	<u>\$ 356,104</u>

(See accompanying Notes to Financial Statements)

SOARING ASSOCIATION OF CANADA
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses for the year	\$ 112,558	\$ (65,590)
Net change in non-cash working capital		
Accounts receivable	263	(10,331)
HST receivable	(879)	422
Inventory	(6,534)	(1,102)
Accounts payable and accrued liabilities	5,753	(1,263)
Deferred contributions	<u>23,890</u>	<u>(17,740)</u>
	<u>135,051</u>	<u>(95,604)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in investments	<u>(113,957)</u>	<u>36,988</u>
NET INCREASE (DECREASE) IN CASH	21,094	(58,616)
CASH, beginning of year	<u>(5,083)</u>	<u>53,533</u>
CASH, end of year	<u>\$ 16,011</u>	<u>\$ (5,083)</u>
REPRESENTED BY:		
Cash	\$ 16,011	\$ 0
Bank overdraft	<u>0</u>	<u>(5,083)</u>
	<u>\$ 16,011</u>	<u>\$ (5,083)</u>

(See accompanying Notes to Financial Statements)

SOARING ASSOCIATION OF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. PURPOSE OF THE ORGANIZATION

The Association was incorporated in 1945 as a non-profit amateur sports association with a mandate to promote, enhance and protect the sport of soaring in Canada. As a not-for-profit organization and a Registered Canadian Amateur Athletic Association (RCAAA), the Association is not subject to taxes under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Association 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.

Membership fees and investment income are recognized as revenue in the year to which they relate to. Sales and services are recorded when the goods are delivered or services rendered.

b) Investments

Investments consist of held investment cash, a high-interest savings account and a diverse portfolio of common and preferred shares and corporate and government bonds. These are held with the intention of long-term growth. The amounts invested in the cash and high-interest savings account are classified as short-term due to their liquid nature. The Association measures investments at fair value at each reporting date. Unrealized and realized gains and losses are included in income.

c) Estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount 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 expenses during the reporting period. Actual results may differ from those estimates.

d) Inventory

Inventory consists of various aviation-related products which are sold to Association members. The products include aviation training manuals, log books and Association pins. Inventory is replenished from time to time, but not necessarily on an annual basis. It is recorded at the lower of cost and net realizable value.

f) Net assets restricted for Pioneer Fund

The Association has internally-restricted these assets to provide for the general purposes of the Association.

g) Net assets restricted to World Contest Fund and to Air Cadet and Youth Bursary Fund

The Association had internally-restricted additional funds for these programs in the past, but as per a board resolution, have transferred these funds to unrestricted net assets for 2019.

SOARING ASSOCIATION OF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, short term investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments. Unless otherwise noted, It is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments.

4. DEFERRED CONTRIBUTIONS

The Association has three different programs for which contributions are received: World Contest, Wolf Mix and Air Cadet & Youth Bursary.

The World Contest and Wolf Mix programs were established for the purpose of providing an independent continuous source of funds to assist Canadian teams to compete in world soaring championships sanctioned by the Federation Aeronautique Internationale (F.A.I). The Air Cadet and Youth Bursary program provides annual bursaries for cadets and younger members, redeemable by the Association's clubs.

Changes in deferred contribution balances are summarized as follows:

	Beginning Balance	Investment Gain/Loss Allocation	Donations During the Year	Recognized As Revenue	Ending Balance
World Contest	\$ 0	\$ 0	\$ 2,000	\$ 0	\$ 2,000
Air Cadet & Youth Bursary	65,038	6,885	0	1,951	69,972
Wolf Mix	<u>131,829</u>	<u>13,956</u>	<u>3,000</u>	<u>0</u>	<u>148,785</u>
	<u>\$ 196,867</u>	<u>\$ 20,841</u>	<u>\$ 5,000</u>	<u>\$ 1,951</u>	<u>\$ 220,757</u>

5. COMMITMENTS

The Association has a management service contract with the Canadian Owners and Pilots Association (COPA). COPA performs management services for SAC at an annual fee of \$24,000. Either party has the option to terminate the agreement.

SOARING ASSOCIATION OF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

6. NON-REFUNDABLE HST/GST

The Association's estimate of the HST/GST rebates have been adjusted to match the rates as per the Canada Revenue Agency. A total adjustment has been made on the rebate receivable and adjusted to the income statement in the current year. This receivable is just an estimate and may be adjusted by the Canada Revenue Agency once the claims have been assessed.

7. FINANCIAL RISK MANAGEMENT POLICY

Soaring Association of Canada is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at December 31, 2019:

a) Credit risk

Credit risk associated with their investments is minimized by investing these assets in high-interest savings accounts and widely-traded equities. An ongoing review is performed to evaluate changes in the status of investments under the Association's investment policy.

b) Currency risk

The Association's functional currency is the Canadian dollar. The Association does not enter into foreign currency transactions and does not use foreign exchange forward contracts.

c) Liquidity risk

The Association manages its liquidity risk by regularly monitoring forecasted and actual cash flow and financial liability maturities, and by holding assets that can be readily converted into cash. Accounts payable are normally paid within 30 days.

d) Interest rate risk

The Association is exposed to interest rate risk with regards to its cash and short-term and long-term investments. The Association has no interest-bearing liability. Fluctuations in market rates of interest on cash do not have a significant impact on the Association's results of operations. The high interest savings account has a low interest rate risk due to its short-term nature. Therefore, this risk does not have a significant impact.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current presentation.