

SOARING ASSOCIATION OF CANADA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of:
Soaring Association of Canada

Report on the Financial Statements

We have audited the accompanying financial statements of Soaring Association of Canada, which comprise the statement of financial position as at December 31, 2012, December 31, 2011, January 1, 2011 and the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualification

Included in the advertising expense line item on the Statement of Revenues and Expenses is a prepaid advertising expense for the amount of \$3,429. For budgetary reasons this amount was paid in the 2012 fiscal year end but will relate to the December 31, 2013 yearend, as such it should be recorded as a prepaid asset. If this value were to be adjusted, the excess of revenues over expenses for the year would increase to \$125,232 and the total assets would increase to \$1,305,745.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Soaring Association of Canada as at December 31, 2012, December 31, 2011, January 1, 2011, 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.



Frouin Group
Licensed Public Accountants
Ottawa, Ontario
March 4, 2013

Authorized to practice public accounting by the Institute of Chartered Accountants of Ontario

FROUIN GROUP PROFESSIONAL CORPORATION
CHARTERED ACCOUNTANTS

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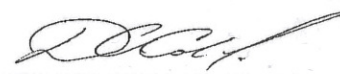
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SOARING ASSOCIATION OF CANADA
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012


	2012	2011	January 1, 2011
ASSETS			
CURRENT ASSETS			
Cash	\$ 145,457	\$ 47,374	\$ 44,856
Short-term investments (Note 2b)	1,108,898	1,043,058	1,097,574
Accounts receivable	15,851	13,179	11,002
HST Receivable	6,616	12,049	13,239
Prepaid expense	1,940	0	0
Inventory	<u>23,554</u>	<u>16,924</u>	<u>10,254</u>
	<u>1,302,316</u>	<u>1,132,584</u>	<u>1,176,925</u>
CAPITAL ASSETS (Notes 5)	<u>0</u>	<u>43,435</u>	<u>43,435</u>
TOTAL ASSETS	<u>\$1,302,316</u>	<u>\$1,176,019</u>	<u>\$1,220,360</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ <u>6,952</u>	\$ <u>8,602</u>	\$ <u>32,904</u>
DEFERRED CONTRIBUTIONS (Note 6)	<u>186,385</u>	<u>187,099</u>	<u>169,553</u>
NET ASSETS			
Invested in capital assets	0	43,435	43,435
Net assets internally restricted for World Contest Fund	10,000	10,000	10,000
Net assets internally restricted for Pioneer Fund	815,226	665,333	699,140
Net assets internally restricted for Air Cadet and Youth Bursary fund	10,000	10,000	10,000
Unrestricted	<u>273,753</u>	<u>251,550</u>	<u>255,328</u>
	<u>1,108,979</u>	<u>980,318</u>	<u>1,017,903</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,302,316</u>	<u>\$1,176,019</u>	<u>\$1,220,360</u>

APPROVED ON BEHALF OF THE BOARD :

Director


SAC Treasurer

Director


SAC President

(See accompanying Notes to Financial Statements)

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SOARING ASSOCIATION OF CANADA
STATEMENT OF REVENUE AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
REVENUES		
Membership fees	\$ 103,260	\$ 100,050
Sales and Services	10,424	9,365
Fight Training and Safety	10,480	12,136
Youth bursary and Air Cadet	1,235	0
World Contest	5,081	0
Peter Corley	2,300	2,300
Pioneer	85	3,430
	<u>132,865</u>	<u>127,281</u>
EXPENSES		
Travel- World contest support	10,826	3,763
Management fees	24,000	24,000
Professional fees	5,775	3,000
Bursaries	11,235	8,190
Printing - Free Flight	10,114	11,646
Membership and subscriptions	7,460	6,200
Office condominium costs	12,973	9,084
Publications and training materials - Free Flight	8,309	7,880
Postage - Free Flight	4,064	3,187
Cost of sales	1,062	278
Cost of sales - Flight Training and Safety	0	494
Meeting and travel	9,629	16,599
Meeting and travel - Flight Training and Safety	3,143	1,808
Meeting and travel - Free Flight	919	625
Insurance	2,256	2,878
Bad debt	(328)	7,064
Canadian National Support	400	1,581
Bank and credit card charges	202	286
Awards and scholarships	2,446	2,397
Advertising	7,921	0
Office Supplies	130	128
Non refundable HST/GST (Note 10)	3,304	7,461
	<u>125,840</u>	<u>118,549</u>
OPERATING REVENUE OVER EXPENSES	<u>7,025</u>	<u>8,732</u>
Gain (loss) on investment income	<u>121,636</u>	<u>(46,317)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 128,661</u>	<u>\$ (37,585)</u>

(See accompanying Notes to Financial Statements)

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SOARING ASSOCIATION OF CANADA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
INVESTED IN CAPITAL ASSETS		
Balance - beginning and end of year	\$ 43,435	\$ 43,435
Transfer to pioneer fund upon sale of building	<u>(43,435)</u>	<u>0</u>
Balance - end of year	<u>\$ 0</u>	<u>\$ 43,435</u>
NET ASSETS INTERNALLY RESTRICTED TO WORLD CONTEST FUND		
Transfer from unrestricted net assets and balance, end of the year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
NET ASSETS INTERNALLY RESTRICTED FOR PIONEER FUND		
Balance - beginning of year	\$ 665,333	\$ 699,140
Transfer from (to) invested in capital assets	43,435	0
Transfer from (to) unrestricted net assets	<u>106,458</u>	<u>(33,807)</u>
Balance - end of year	<u>\$ 815,226</u>	<u>\$ 665,333</u>
NET ASSETS INTERNALLY RESTRICTED FOR AIR CADET AND YOUTH BURSARY FUND		
Transfer from unrestricted net assets and balance - end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
UNRESTRICTED NET ASSETS		
Balance, beginning of year, as previously stated	\$ 251,550	\$ 258,718
Correction of prior year's expense (Note 11)	<u>0</u>	<u>(5,690)</u>
Balance, beginning of year, as restated	251,550	253,028
Excess (deficiency) of revenue over expenses for the year	128,661	(35,285)
Transfer to net assets internally restricted for Pioneer Fund	<u>(106,458)</u>	<u>33,807</u>
Balance - end of year	<u>\$ 273,753</u>	<u>\$ 251,550</u>

(See accompanying Notes to Financial Statements)

SOARING ASSOCIATION OF CANADA
AUDITED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 128,661	\$ (37,585)
Net change in non-cash working capital		
Accounts receivable	(2,672)	(987)
HST receivable	5,433	(1,190)
Prepaid expense	(1,940)	0
Inventory	(6,630)	(5,480)
Accounts payable and accrued liabilities	(1,650)	(24,302)
Deferred contributions	(714)	17,546
	<u>120,488</u>	<u>(51,998)</u>
INVESTING ACTIVITIES		
Sale of capital assets	<u>43,435</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH	163,923	(51,998)
CASH, beginning of year	<u>1,090,432</u>	<u>1,142,430</u>
CASH, end of year	<u>\$1,254,355</u>	<u>\$1,090,432</u>
REPRESENTED BY		
Cash	\$ 145,457	\$ 47,374
Short-term investments	<u>1,108,898</u>	<u>1,043,058</u>
	<u>\$1,254,355</u>	<u>\$1,090,432</u>

(See accompanying Notes to Financial Statements)

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SOARING ASSOCIATION OF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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) Short term investments

Short-term investments consist of a diverse portfolio of common and preferred shares and corporate and government bonds. The Association measures short-term 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 and log books and Association pins. Inventory is replenished from time to time, but not necessarily on an annual basis.

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 restricted to Air Cadet and Youth Bursary fund

The Association has internally restricted additional funds for these programs (refer also to note 6).

SOARING ASSOCIATION OF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

3. IMPACT OF THE CHANGE IN THE BASIS OF ACCOUNTING

The organization elected to apply the Accounting Standards for Not-for-Profit Organizations, Part III of the Canadian Institute of Chartered Accountants (CICA) Handbook, in accordance with Canadian generally accepted accounting principles.

These financial statements are the first financial statements for which the entity has applied the Canadian accounting standards for not-for-profit organizations. The financial statements for the year ended December 31, 2012 were prepared in accordance with the provisions set out in First-Time Adoption by not-for-profit organizations, Section 1501, of the CICA Handbook.

No adjustments were required to the opening balance of the net asset account at the date of transition or to the prior year excess revenue over expenses in order to transition to the Canadian accounting standards for not-for-profit organizations.

4. 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 organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2012	Net Book Value 2011
Office Condominium	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>43,435</u>

The sale of the office condominium was finalized on December 17, 2012 with a net gain of \$66,896.

6. DEFERRED CONTRIBUTIONS

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

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. The Peter Corley contributions are for the purpose of awarding an annual academic scholarship to a young Association member.

Changes in deferred contribution balances are summarized as follows:

SOARING ASSOCIATION OF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

6. DEFERRED CONTRIBUTIONS (CONTINUED)

	Beginning Balance	Investment Allocation	Donations During the Year	Recognized As Revenue	Ending Balance
World Contest	\$ 5,080	\$ 301	\$ 500	\$ (5,080)	\$ 801
Air Cadet & Youth Bursary	60,536	3,592	500	(11,235)	53,393
Wolf Mix	115,245	6,838	3,500	0	125,583
Peter Corley	6,238	370	2,300	(2,300)	6,608
	<u>\$ 187,099</u>	<u>\$ 11,101</u>	<u>\$ 6,800</u>	<u>\$ (18,615)</u>	<u>\$ 186,385</u>

In the prior year a donation of \$10,000 was received regarding the Air Cadet & Youth Bursary program. This amount was to be held in trust under the deferred contributions account until the current year when it was paid out to the SOSA bursary program. This value does not represent revenue earned, it is a payout of prior year funds received on behalf of SOSA.

It should be noted that, in addition to the above deferred contributions funding, the Association's Board has internally restricted \$10,000 of net assets for the World Contest program along with \$10,000 for the Air Cadet & Youth Bursary program.

7. CAPITAL DISCLOSURES

The Association defines the capital that it manages as net assets.

The capital management objectives of the Association include ensuring the ability to continue as a going concern and maintaining sufficient liquidity to meet its obligations as they become due.

The Association is not subject to any externally imposed capital requirements.

8. 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. The three year agreement runs until 2015. Either party has the option to terminate the agreement.

9. COMPARATIVE FIGURES

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

SOARING ASSOCIATION OF CANADA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

10. 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 when the claims have been assessed.

11. CORRECTION OF PRIOR YEAR ERROR

In prior years the association had not recorded an accrual for the audit fee at yearend. The amount was expensed when paid in the following fiscal year. Each fiscal year's audit expense is stated correctly. The error appears to have occurred prior to the December 31, 2010 yearend. An adjustment was made to unrestricted net assets to account for this accrual for \$3,390.

A bursary was awarded for \$2,300 from the Peter Corley funds held in trust during the December 31, 2011 fiscal year, however the amount was not expensed until the current fiscal year when it was paid. In the prior year revenue was recognized from the deferred contributions account to match the bursary to be paid.