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PRIVATE & CONFIDENTIAL

Ms. Cheryl Humphrey
Swim Alberta Association
11759 Groat Road
Edmonton, AB T5M 3K6

November 3, 2020

Dear Ms. Humphrey:

FINANCIAL STATEMENTS

We enclose 1 copy of the financial statements of Swim Alberta Association with our Auditors' Report, for the fiscal period ended June 30, 2020.

ATTACHMENTS

- A copy of the final trial balance and adjusting journal entries in order to update the accounting records.

Should you have any questions or if we can be of any further assistance, please do not hesitate to contact us.

Yours truly,

A handwritten signature in black ink, appearing to read 'Robyn J. Eeson', written in a cursive style.

Robyn J. Eeson, CPA, CA
Partner

Enclosures

Financial Statements of

**SWIM ALBERTA
ASSOCIATION**

Year ended June 30, 2020

SWIM ALBERTA ASSOCIATION

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Year ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of Swim Alberta Association

Opinion

We have audited the financial statements of Swim Alberta Association (the Entity), which comprise:

- the statement of financial position as at June 30, 2020
- the statement of operations for the year then ended
- the statement of 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 June 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.



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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Edmonton, Canada

October 30, 2020

SWIM ALBERTA ASSOCIATION

Statement of Financial Position

As at June 30, 2020, with comparative information for 2019

| | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 210,267 | \$ 106,815 |
| Term deposits (note 2) | 955,220 | 1,394,166 |
| Accounts receivable (note 4) | 91,381 | 142,540 |
| Prepaid expenses and deposits | 59,112 | 54,224 |
| | <u>1,315,980</u> | <u>1,697,745</u> |
| Capital assets (note 3) | 5,492 | 8,483 |
| | <u>\$ 1,321,472</u> | <u>\$ 1,706,228</u> |


Liabilities and Net Assets

| | | |
|---------------------------------------------------|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 4) | \$ 158,487 | \$ 289,424 |
| Deferred contributions (note 5) | 1,288 | 98,449 |
| | <u>159,775</u> | <u>387,873</u> |
| Net assets (note 6): | | |
| Invested in capital assets | 5,492 | 8,483 |
| Sustainability reserve fund | 620,000 | 870,000 |
| Operating reserve fund | 300,000 | 300,000 |
| Unrestricted | 236,205 | 139,872 |
| | <u>1,161,697</u> | <u>1,318,355</u> |
| | <u>\$ 1,321,472</u> | <u>\$ 1,706,228</u> |


Commitments (note 7)
Investment in Limited Partnership (note 8)
COVID-19 pandemic (note 10)

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

SWIM ALBERTA ASSOCIATION

Statement of Operations

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

| | 2020 | 2019 |
|------------------------------------------|---------------------|---------------------|
| Revenue: | | |
| Affiliation and registration fees | \$ 835,204 | \$ 1,046,118 |
| Programs, courses and fees (Schedule 1) | 319,491 | 492,715 |
| Grant revenue (note 5 and Schedule 2) | 229,581 | 299,583 |
| Government assistance (note 10) | 91,631 | - |
| Interest income | 25,566 | 53,418 |
| Donations and corporate sponsorships | 7,713 | 12,500 |
| Swim-A-Thon donations (note 9) | 1,996 | 5,400 |
| | <u>1,511,182</u> | <u>1,909,734</u> |
| Expenses: | | |
| Program costs (Schedule 3) | 923,796 | 1,116,268 |
| Administration | 457,032 | 482,242 |
| Assessment fees (Schedule 4) | 281,344 | 393,337 |
| Amortization of capital assets | 2,991 | 8,079 |
| Contributions to swim clubs | 2,677 | 17,900 |
| | <u>1,667,840</u> | <u>2,017,826</u> |
| Deficiency of revenues over expenditures | <u>\$ (156,658)</u> | <u>\$ (108,092)</u> |

See accompanying notes to financial statements.

SWIM ALBERTA ASSOCIATION

Statement of Changes in Net Assets

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

| | Invested in capital assets | Sustainability reserve fund | Operating reserve fund | Unrestricted | Total 2020 | Total 2019 |
|--------------------------------------------|----------------------------------|--------------------------------|---------------------------|--------------|---------------|---------------|
| Balance, beginning of year | \$ 8,483 | \$ 870,000 | \$ 300,000 | \$ 139,872 | \$ 1,318,355 | \$ 1,426,447 |
| Deficiency of revenues over expenses | (2,991) | - | - | (153,667) | (156,658) | (108,092) |
| Transfers (note 6) | - | (250,000) | - | 250,000 | - | - |
| Balance, end of year | \$ 5,492 | \$ 620,000 | \$ 300,000 | \$ 236,205 | \$ 1,161,697 | \$ 1,318,355 |

See accompanying notes to financial statements.

SWIM ALBERTA ASSOCIATION

Statement of Cash Flows

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

| | 2020 | 2019 |
|--------------------------------------------------------|--------------|--------------|
| Cash (used in) provided by: | | |
| Operations: | | |
| Deficiency of revenues over expenditures | \$ (156,658) | \$ (108,092) |
| Item not involving cash: | | |
| Amortization of capital assets | 2,991 | 8,079 |
| | (153,667) | (100,013) |
| Change in non-cash operating working capital: | | |
| Decrease (increase) in accounts receivable (note 4) | 51,159 | (103,010) |
| (Increase) decrease in prepaid expenses and deposits | (4,888) | 2,415 |
| (Decrease) in accounts payable and accrued liabilities | (130,937) | (18,011) |
| (Decrease) increase in deferred contributions | (97,161) | 30,251 |
| | (335,494) | (188,368) |
| Investments: | | |
| Proceeds on disposal of term deposits | 5,183,367 | 2,688,731 |
| Purchases of term deposits | (4,744,421) | (3,242,741) |
| Purchases of capital assets | - | (9,537) |
| | 438,946 | (563,547) |
| Increase (decrease) in cash | 103,452 | (751,915) |
| Cash, beginning of year | 106,815 | 858,730 |
| Cash, end of year | \$ 210,267 | \$ 106,815 |

See accompanying notes to financial statements.

SWIM ALBERTA ASSOCIATION

Notes to Financial Statements

Year ended June 30, 2020

Swim Alberta Association (the "Association") is a not-for-profit organization incorporated under the Societies Act of Alberta. Its primary activity is to promote amateur swimming in Alberta. The Association is exempt from income taxes under Section 149(1) of the Income Tax Act.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

SWIM ALBERTA ASSOCIATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

1. Significant accounting policies (continued):

(c) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements. Accommodation and certain overhead costs incurred in the administration of the Association, borne by the Province of Alberta, are not reasonably estimable and consequently are not reflected in these financial statements.

(d) Revenue recognition:

The Association follows the deferral method of accounting for contributions which includes donations and government grants. Restricted contributions are recognized as revenue in the year the related expenses are incurred, or, for fixed period restricted government grants, based on the period in which the grant relates. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributed materials and services are recognized in the financial statements when their fair value is reasonably estimable.

Affiliation and registration fees, donations (including Swim-A-Thon donations), programs, courses and fees, Olympic bonus, and interest income are recognized as revenue when earned.

(e) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

| Asset | Basis | Rate |
|------------------|-------------------|----------|
| Office equipment | Declining balance | 20 - 55% |
| Website | Straight-line | 5 years |

SWIM ALBERTA ASSOCIATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements 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 expenses during the year. Actual results could differ from those estimates.

2. Term deposits:

The term deposits mature between August 2020 and May 2021 (2019 - July 2019 and December 2019) and bear interest at 0.25% to 3% (2019 - 1.65% to 1.85%).

3. Capital assets:

| | | | | 2020 | 2019 |
|------------------|-----------|-----------------------------|----|-------------------|-------------------|
| | Cost | Accumulated amortization | | Net book value | Net book value |
| Office equipment | \$ 30,321 | \$ 27,197 | \$ | 3,124 | \$ 5,523 |
| Website | 3,700 | 1,332 | | 2,368 | 2,960 |
| | \$ 34,021 | \$ 28,529 | \$ | 5,492 | \$ 8,483 |

SWIM ALBERTA ASSOCIATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

4. Government amounts receivable and payable:

Included in accounts receivable as at June 30, 2020 are Canada Emergency Wage Subsidy receivables of \$22,456 (2019 - \$nil) (see note 10).

Included in accounts payable and accrued liabilities as at June 30, 2020 are government remittances payable of \$449 (2019 - \$688) relating to federal and provincial sales taxes and payroll taxes.

5. Deferred contributions:

Deferred contributions represent unspent resources for general operations that are related to a subsequent period. Changes in the deferred contribution balance are as follows:

| | Balance, beginning of year | Add: amounts received and receivable during the year | Less: amounts recognized as revenue during the year | Deferred contribution balance, end of year |
|--------------------------------------|----------------------------------|---------------------------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------|
| Government of Alberta ⁽¹⁾ | | | | |
| Association Development Program | \$ 51,394 | \$ 144,897 | \$ (196,291) | \$ - |
| Western Canada Summer Games | 6,400 | - | (6,400) | - |
| High Performance Coaching Grant | - | 15,000 | (15,000) | - |
| Other grants | 7,500 | 4,390 | (11,890) | - |
| | 65,294 | 164,287 | (229,581) | - |
| Other | 33,155 | - | (31,867) | 1,288 |
| | \$ 98,449 | \$ 164,287 | \$ (261,448) | \$ 1,288 |

⁽¹⁾ Grants formerly issued under the Alberta Sport Connection

SWIM ALBERTA ASSOCIATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

6. Net assets:

By Board of Directors resolution carried in November 2016, the Association created a sustainability reserve fund and an operating reserve fund.

The purpose of the sustainability reserve fund is to ensure long-term financial stability of the Association, to ensure the Association can respond to changes in its economic environment and to continually carry out its mandate. The Association will maintain the fund at a level relative to four (4) years of annual program operating core-funding, which has been targeted at \$870,000. The Association drew upon \$250,000 (2019 - \$nil) of the sustainability reserve fund in the current year as a result of the deficiency of revenues over expenses, as well as to cover short term anticipated shortfalls due to the impacts of the COVID-19 pandemic (see note 10).

The Association maintains an operating reserve fund, for the general purpose of assisting the Association to develop operating budgets that provide for planned growth and financial change in the Association's funding that may result in deficits to the Association. The operating reserve fund will be maintained at an amount no greater than \$300,000.

7. Commitments:

Beginning in 2017, the Association committed to selecting three post-secondary student athletes annually for receipt of a bursary up to a maximum of \$25,000 each, paid in annual instalments of \$5,000, as long as the recipient meets the selection criteria each year over the five year period. The bursary program will not be continued past 2023. Total annual commitments over the next three years are as follows:

| | | |
|------|----|--------|
| 2021 | \$ | 30,000 |
| 2022 | | 20,000 |
| 2023 | | 10,000 |

SWIM ALBERTA ASSOCIATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

8. Investment in Limited Partnership:

The Association holds 5 units of Alberta Satellite Bingo Limited Partnership with an original cost of \$15,000. In 2010, the Association determined that the carrying value of its investment in Alberta Satellite Bingo had been impaired. Accordingly, a provision for impairment of \$15,000 was recognized in the statement of operations.

9. Swim-A-Thon donations:

Together with Swimming Canada, the Association arranges to have a Swim-A-Thon each year, whereby individual swim clubs seek donations from the general public. The donations are collected by Swimming Canada and a portion of these donations are remitted back to the swim clubs. Swimming Canada is responsible for the financial aspects of the program and the Association is responsible for the administrative duties, for which the Association is paid an administrative commission. The Swim-A-Thon administrative commission is equal to the amount of the donations received from the Swim-A-Thon that are allocated to the Association to cover administrative costs of the program. This represented approximately 4% of total donations in 2020 (2019 - 4%). During fiscal 2020, the 4% (2019 - 4%) administrative commission was contributed to the participating swim clubs. The related expense has been recorded within contributions to swim clubs within the statement of operations. The Swim-A-Thon assessment fee is earned from the swim clubs and individual swimmers participating in the Swim-A-Thon as they are required to pay a fee to the Association in order to participate. The full assessment fee collected is used by the Association to pay administration expenses directly attributable to the Swim-A-Thon. Transactions under this program during the year were as follows:

| | 2020 | 2019 |
|---------------------------------------|-----------|------------|
| Swim-A-Thon contributions received | \$ 60,233 | \$ 121,505 |
| Swim-A-Thon assessment fees | 3,934 | 7,448 |
| Swim-A-Thon administrative commission | 2,677 | 5,400 |
| | 66,844 | 134,353 |
| Grants contributed to swim clubs | (60,233) | (121,505) |
| Swim-A-Thon assessment fees | (4,615) | (7,448) |
| Net revenues | \$ 1,996 | \$ 5,400 |

SWIM ALBERTA ASSOCIATION

Notes to Financial Statements (continued)

Year ended June 30, 2020

10. COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Association is not known at this time.

At the time of approval of these financial statements, the Association has experienced the following:

- Cancellation of multiple provincial events;
- Cancellation of sanctioning of competitions run by affiliated clubs;
- Cancellation and then severe modification of the summer swim season; and
- Application and receipt of wage subsidies including the 10% Temporary Wage Subsidy and the 75% Canada Emergency Wage Subsidy.

These factors present uncertainty over future cash flows and may cause significant changes to future operations. An estimate of the financial effect is not practicable at this time.

11. Financial risks and concentration of risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Association is exposed to credit risk with respect to grants and accounts receivable and term deposits. The Association assesses these items on a continuous basis and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Liquidity risk:

Liquidity risk is the risk that the Association will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Association manages its liquidity risk by monitoring its operating requirements. The Association prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no significant change to the risk exposures from 2019.

SWIM ALBERTA ASSOCIATION

Schedule 1 - Programs, Courses and Fees

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

| | 2020 | 2019 |
|----------------------|-------------------|-------------------|
| Program: | | |
| Olympic Bonus | \$ 141,416 | \$ 181,347 |
| Provincial Meet Fees | 71,366 | 172,927 |
| Technical Programs | 62,572 | 99,813 |
| AGM and Other Income | 44,137 | 38,628 |
| | <u>\$ 319,491</u> | <u>\$ 492,715</u> |

Schedule 2 - Grant Revenue

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

| | 2020 | 2019 |
|---------------------------------|-------------------|-------------------|
| Government of Alberta grants: | | |
| Association Development Program | \$ 196,291 | \$ 210,442 |
| High Performance Coaching Grant | 15,000 | 30,000 |
| Western Canada Summer Games | 6,400 | 25,600 |
| Donation Fund Program | - | 12,500 |
| Alberta Summer Games | - | 5,000 |
| Other grants | 11,890 | 16,041 |
| | <u>\$ 229,581</u> | <u>\$ 299,583</u> |

SWIM ALBERTA ASSOCIATION

Schedule 3 - Program Costs

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

| | 2020 | 2019 |
|--------------------------------------------------|------------|--------------|
| Program: | | |
| Athlete Technical and Funding Programs | \$ 417,344 | \$ 521,446 |
| Provincial Championship Meets | 145,992 | 241,407 |
| Coach Technical and Funding Programs | 142,718 | 148,406 |
| Club Development and Membership Support Services | 122,191 | 119,645 |
| Other Programs | 56,646 | 42,283 |
| Officials Programs | 38,905 | 43,081 |
| | \$ 923,796 | \$ 1,116,268 |

Schedule 4 - Assessment Fees

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

| | 2020 | 2019 |
|--------------------------------------------------|------------|------------|
| Assessment Fee: | | |
| Swimming Canada National Assessment | \$ 280,215 | \$ 292,197 |
| Alberta Summer Swim Association Fees and Coaches | 1,129 | 101,140 |
| | \$ 281,344 | \$ 393,337 |