

CANADIAN CYCLING ASSOCIATION

FINANCIAL STATEMENTS

MARCH 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members,
Canadian Cycling Association:

Qualified opinion

We have audited the financial statements of Canadian Cycling Association ("the Entity"), which comprise the statement of financial position as at March 31, 2019, and the statements of changes in net assets, operations and cash flows 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 Entity as at March 31, 2019, 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.

Basis for qualified opinion

In common with many not-for-profit organizations, the Entity derives revenue from donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, net revenue for the year, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the auditor's 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 qualified audit opinion.

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 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.

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 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 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 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.

OHCD LLP

OUSELEY HANVEY CLIPSHAM DEEP LLP

Licensed Public Accountants

Ottawa, Ontario

September 13, 2019



CANADIAN CYCLING ASSOCIATION

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2019

	2019	2018
CURRENT ASSETS		
Cash	\$ 246,035	\$ 34,725
Bank treasury deposit (note 4)	50,000	50,000
Accounts receivable	588,440	998,933
Prepaid expenses	48,404	104,737
	<u>932,879</u>	<u>1,188,395</u>
CAPITAL ASSETS (note 3)	<u>358,052</u>	<u>247,423</u>
	<u>\$ 1,290,931</u>	<u>\$ 1,435,818</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 662,971	\$ 1,161,980
Deferred revenue (note 5)	368,380	85,749
	<u>1,031,351</u>	<u>1,247,729</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (note 6)	<u>213,540</u>	<u>89,685</u>
	<u>1,244,891</u>	<u>1,337,414</u>
NET ASSETS		
Invested in capital assets	144,511	157,737
Internally restricted National Team Fund (note 8)	50,000	80,000
Unrestricted net assets (deficit)	(148,471)	(139,333)
	<u>46,040</u>	<u>98,404</u>
	<u>\$ 1,290,931</u>	<u>\$ 1,435,818</u>

Approved on behalf of the Board:

_____ Director

_____ Director



CANADIAN CYCLING ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance beginning of year	\$ 157,737	\$ 169,950
Amortization of capital assets	(120,174)	(98,233)
Acquisition of capital assets	230,803	86,329
Deferred funding of capital assets	(208,564)	(50,370)
Amortization of deferred funding	84,709	50,061
BALANCE END OF YEAR	\$ 144,511	\$ 157,737
INTERNALLY RESTRICTED NATIONAL TEAM FUND		
Balance beginning of year	\$ 80,000	\$ -
Transfer from (to) unrestricted net assets	(30,000)	80,000
BALANCE END OF YEAR	\$ 50,000	\$ 80,000
UNRESTRICTED NET ASSETS (DEFICIT)		
Balance beginning of year	\$ (139,333)	\$ 332,955
Net expense for the year	(52,364)	(404,501)
Transfer from (to) National Team Fund	30,000	(80,000)
Change related to capital assets	13,226	12,213
BALANCE END OF YEAR	\$ (148,471)	\$ (139,333)

CANADIAN CYCLING ASSOCIATION

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
REVENUE		
Sport Canada (Reference level)	\$ 1,339,000	\$ 1,127,000
Sport Canada (Enhanced Excellence)	4,086,660	4,353,013
Canadian Olympic Committee	445,000	401,781
Insurance recoveries	557,176	560,330
Sponsorships	596,726	498,330
Sport Canada hosting (ISSE)	1,151,000	776,000
Affiliation fees	252,835	255,744
Athlete contributions	416,108	425,890
Non-recurring contributions and other	960,373	864,100
Donations	251,482	114,832
Coaching Association of Canada	4,420	8,117
Canadian Paralympic Committee	72,000	119,500
Doping recovery	33,289	20,611
Calendar fees	13,350	13,138
Rider levies	12,296	9,208
	10,191,715	9,547,594
EXPENSE		
Senior national team	3,374,015	3,345,536
Salary and benefits - staff	1,364,512	1,171,215
Salary and benefits - coaches	1,421,216	1,898,372
Insurance	578,732	568,614
International competitions	1,741,086	1,328,527
Administration	470,352	505,222
National team - other	404,088	281,090
Meetings	160,880	218,280
National competitions	117,192	165,741
Leadership development	21,902	32,799
Athlete development	219,159	72,376
Advertising and promotion	370,945	364,323
	10,244,079	9,952,095
NET EXPENSE FOR THE YEAR	\$ (52,364)	\$ (404,501)

CANADIAN CYCLING ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net expense for the year	\$ (52,364)	\$ (404,501)
Non cash items:		
amortization of capital assets	120,174	98,233
amortization of deferred funding	(84,709)	(50,061)
Changes in non cash working capital items:		
Accounts receivable	410,493	(617,353)
Prepaid expenses	56,333	47,308
Accounts payable and accrued liabilities	(499,009)	687,807
Deferred revenue	491,195	38,089
	<u>442,113</u>	<u>(200,478)</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(230,803)	(86,329)
Change in cash for the year	211,310	(286,807)
CASH BEGINNING OF YEAR	<u>34,725</u>	<u>321,532</u>
CASH END OF YEAR	<u>\$ 246,035</u>	<u>\$ 34,725</u>

CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

The Association is a Registered Canadian Amateur Athletic Association incorporated under Canada Not-for-profit Corporations Act. Its primary purpose includes the instruction in and co-ordination of matters concerning the sport of amateur cycling in Canada at the national and international level.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been 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. Revenue from unrestricted donations is recognized when received. Contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization of the related capital asset.

b) Donated goods and services

The Association benefits from sponsorship programs which provide goods and services for its athletes. The work of the Association is also dependent on the voluntary services of its members. The fair value of credits received from sponsors for merchandise purchased is reported as sponsorship revenue. Other donated goods and services are not recognized by the Association due to the difficulty in determining their fair value.

c) Capital assets

Capital assets are recorded at cost. Amortization is calculated as follows:

Automotive equipment	5 years straight line
Furniture and fixtures	8 years straight line
Computer equipment	5 years straight line
National team equipment	33.3% declining balance basis
Para equipment	33.3% declining balance basis
Event equipment	3 years straight line
Leasehold improvements	Straight line over life of lease

d) Use of estimates

The preparation of these 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.



CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments

Financial instruments are initially recognized at fair value and are subsequently measured at cost, amortized cost or cost less appropriate allowances for impairment.

2. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, bank treasury deposit, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest rate, currency, credit, liquidity or market risks arising from its financial instruments and the carrying amount of the financial instruments approximate their fair value.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2019	Net Book Value 2018
Automotive equipment	\$ 108,183	\$ 91,923	\$ 16,260	\$ 26,322
Furniture and fixtures	25,220	8,914	16,306	21,350
Computer equipment	139,842	115,390	24,452	21,737
National team equipment	822,912	595,548	227,365	121,984
Event equipment	10,395	1,733	8,663	-
Para equipment	371,124	306,117	65,007	56,030
Leasehold improvements	8,465	8,465	-	-
	<u>\$ 1,486,141</u>	<u>\$ 1,128,090</u>	<u>\$ 358,052</u>	<u>\$ 247,423</u>

4. CREDIT FACILITY

The Association has a bank credit line that provides for advances up to \$150,000. Interest is payable monthly, calculated at bank prime rate plus two percent per annum. As part of the facility, the Association is required to maintain \$50,000 in a bank treasury account. All assets of the Association are pledged as security for the credit line.



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5. DEFERRED REVENUE

	2019		2018	
Balance, beginning of year	\$	85,749	\$	98,029
Less: amount recognized as revenue in the year		(85,059)		(97,339)
Plus: amount received related to the following year		367,690		85,059
Balance, end of year	\$	368,380	\$	85,749

Deferred revenue consists of the following future year funding:

	2019		2018	
Self funded and other	\$	690	\$	5,805
Funding for future projects		367,690		79,944
	\$	368,380	\$	85,749

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Contribution	Accumulated Amortization	2019		2018	
Contributions related to National and Para team equipment	\$ 1,522,951	\$ 1,309,411	\$ 213,540	\$	89,685	

Contributions related to national and para team equipment and accumulated amortization as at March 31, 2018 amounted to \$1,314,387 and \$1,224,702 respectively. During the year Sport Canada contributed \$208,564 (2018 - \$50,370) to fund the purchase of equipment which was classified as capital assets. This funding has been deferred and is recognized as revenue over the useful life of the related capital assets.

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7. COMMITMENTS

The Association is committed to rent office space under a five year lease that extends to January 2022. Annual rent and operating costs are expected to approximate \$75,000 - \$80,000 over the term of the lease. In 2017 the Association signed a 4 year lease with the Town of Milton for office space at an annual rent of approximately \$25,000. This lease may be terminated on the anniversary of the lease commencement, provided there is 6 months notice and the landlord is in agreement. In September 2017, the Association committed to a 61 month copier lease agreement with annual payments of approximately \$6,000.

8. INTERNALLY RESTRICTED NATIONAL TEAM FUND

In 2018 the Association transferred \$80,000 to an internally restricted fund to be used in future years by the National Team. In the current year the Association transferred \$30,000 to unrestricted net assets to cover costs related to the National Team. Executive approval is required to spend these net assets.