

FINANCIAL STATEMENTS

CYCLING BRITISH COLUMBIA

December 31, 2010

INDEPENDENT AUDITOR'S REPORT

To the Members of
Cycling British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of Cycling British Columbia (the "Society"), which comprise the statement of financial position as at December 31, 2010, and the statements of changes in fund balances, operations 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 generally accepted accounting principles, 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 audit. We conducted our audit 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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts 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 Society'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 Society'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 is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The Society derives revenue from races, program/events, and donations, 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 Society and we were not able to determine whether any adjustments for unrecorded revenue might be necessary to revenues, revenue over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Cycling British Columbia as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the British Columbia Society Act, we report that the accounting principles used in these financial statements have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada
[Date - Board of Approval]

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at December 31

	2010 \$	2009 \$
ASSETS		
Current		
Cash	55,361	40,912
Accounts receivable	93,340	48,255
Prepaid expenses	20,026	5,008
Total current assets	168,727	94,175
Equipment <i>[note 3]</i>	83,555	71,868
	252,282	166,043
LIABILITIES AND FUND BALANCES (DEFICIT)		
Current		
Accounts payable and accrued liabilities	64,154	58,823
Deferred revenue	92,449	94,354
Current portion of obligation under capital lease <i>[note 8]</i>	9,063	—
Total current liabilities	165,666	153,177
Future Heroes Fund <i>[note 4]</i>	10,454	10,454
Deferred contributions related to equipment <i>[note 5]</i>	7,760	11,129
Obligation under capital lease <i>[note 8]</i>	11,855	—
Total liabilities	195,735	174,760
Fund balances (deficit)		
Contingency fund	11,200	11,200
Capital replacement fund	263	263
Invested in capital assets	54,877	60,739
Unrestricted (deficit)	(9,793)	(80,919)
	56,547	(8,717)
	252,282	166,043

Commitments *[note 9]*Contingent liability *[note 11]**See accompanying notes*

On behalf of the Board:

Director_____
Director

STATEMENT OF CHANGES IN FUND BALANCES

Year ended December 31

	Contingency Fund \$ [note 6(i)]	Capital Replacement Fund \$ [note 6(ii)]	Invested in Capital Assets \$	Un- restricted \$	Total \$
2010					
Balance, beginning of year	11,200	263	60,739	(80,919)	(8,717)
Revenues over (under) expenses	—	—	(25,163)	90,427	65,264
Acquisition of equipment	—	—	40,219	(40,219)	—
Equipment acquired under lease	—	—	(25,000)	25,000	—
Capital lease payments	—	—	4,082	(4,082)	—
Balance, end of year	11,200	263	54,877	(9,793)	56,547
2009					
Balance, beginning of year	11,200	263	53,900	(78,635)	(13,272)
Revenues over (under) expenses	—	—	(21,629)	26,184	4,555
Acquisition of equipment	—	—	39,380	(39,380)	—
Donated equipment	—	—	(10,532)	10,532	—
Disposal of equipment	—	—	(380)	380	—
Balance, end of year	11,200	263	60,739	(80,919)	(8,717)

See accompanying notes

STATEMENT OF OPERATIONS

Year ended December 31

	2010 \$	2009 \$
REVENUES		
Memberships and licenses	280,292	288,779
Grants	347,158	297,540
Race revenue	47,987	43,102
Sponsorship [note 7]	67,832	40,618
Donations	218,265	119,027
Gaming	250,000	255,000
Programs and events	31,491	29,020
Other income	2,838	2,019
Amortization of deferred contributions related to equipment	3,369	2,513
	1,249,232	1,077,618
COST OF SERVICES		
Affiliation fees	36,333	28,170
Insurance - member/commercial event	93,543	86,423
Race, programs and events costs	273,770	246,091
Subcontractors	62,995	29,597
	466,641	390,281
NET CONTRIBUTION	782,591	687,337
EXPENSES		
Amortization of equipment	28,532	24,142
Bad debts	2,353	80
Bank, credit card commissions and online service fees	11,298	12,101
Communication	28,315	23,293
Insurance	1,448	1,710
Office operations	37,838	33,928
Professional fees	9,520	13,424
Publications, promotion and marketing	495	11,908
Rent	52,101	46,242
Salaries, benefits and contract staff	545,427	515,954
	717,327	682,782
Excess of revenues over expenses	65,264	4,555

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended December 31

	2010 \$	2009 \$
OPERATING ACTIVITIES		
Cash flows from operating activities		
Cash received from members, customers and sponsors	612,432	496,689
Cash received from grants and gaming funds	558,278	576,107
Cash paid to athletes, suppliers and employees	(1,133,603)	(1,035,407)
Cash provided by operating activities	37,107	37,389
FINANCING AND INVESTING ACTIVITIES		
Acquisition of equipment	(40,219)	(28,848)
Equipment acquired under capital lease	25,000	—
Repayment of capital lease obligation	(7,439)	—
Cash used by financing and investing activities	(22,658)	(28,848)
Increase in cash for the year	14,449	8,541
Cash, beginning of year	40,912	32,371
Cash, end of year	55,361	40,912

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. NATURE OF OPERATIONS

Cycling British Columbia (the "Society") is a not-for-profit organization incorporated under the Society Act of British Columbia on February 27, 1974 who is exempt from income taxes. The Society was formed to facilitate programs for bicycling and bicyclists in British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Revenue Recognition

The Society follows the deferral method of accounting for contributions other than revenue from its commercial operations.

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 other revenues from commercial activities are included in income as earned. Revenues received, which are not earned in a fiscal period, are deferred and recognized as income in the year to which they relate.

Proceeds received from direct access gaming funding are recorded as revenue as received.

Financial Instruments

The Society has adopted the recommendations of Sections 3855 and 3861 of the CICA Handbook regarding financial instruments. The Society has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook.

The Society's financial instruments consist of cash, accounts receivable, accounts payable and obligation under capital lease. These financial instruments are recorded at amortized cost.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Credit Risk Exposure

The Society's exposure to credit risk are indicated by the carrying amounts of its cash and accounts receivable. The Society limits its exposure to credit loss by placing its cash with a chartered Canadian financial institution. Management believes that the Society is not exposed to an unusual level of credit risk.

Interest Rate Risk

The Society is subject to interest rate risk on its obligation under capital lease.

Future Accounting Changes

In 2011, the Society will adopt Canadian accounting standards for not-for-profit organizations ("ASNPO") which were released by the Canadian Institute of Chartered Accountants ("CICA") in December 2010. These accounting standards are contained in Part III of the CICA Handbook. Where specific standards are not provided in Part III of the Handbook, the accounting standards for private enterprises ("ASPE") contained in Part II of the CICA Handbook will be utilized. The adoption of ASNPO and ASPE is not expected to have a significant impact on the financial statements of the Society.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 amounts of revenues and expenditures reported during the year. Actual results could differ from these estimates.

Equipment

Amortization of equipment is recorded as follows:

▪ Office and computer equipment	30% declining - balance basis
▪ Race equipment	30% declining - balance basis
▪ Vehicles	30% declining - balance basis
▪ Website	100% declining - balance basis

In the year of acquisition, amortization is recorded at one-half of these rates.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. EQUIPMENT

	Cost \$	Accumulated Amortization \$	Net Book Value \$
2010			
Office and computer equipment	120,966	99,780	21,186
Sports equipment	61,058	33,438	27,620
Vehicles - capital lease	33,589	5,038	28,551
- other	13,116	6,918	6,198
Website	3,236	3,236	—
	231,965	148,410	83,555
2009			
Office and computer equipment	119,677	91,253	28,424
Sports equipment	55,717	22,745	32,972
Vehicles	13,116	4,262	8,854
Website	3,236	1,618	1,618
	191,746	119,878	71,868

4. FUTURE HEROES FUND

In 2005, the Society's Board of Directors established the Future Heroes Fund to support funding of an annual award for youth cyclists from BC. The Society intends to create an endowment to support the Future Heroes award once funding of \$10,000 has been achieved. Funding for the Future Heroes Fund provided by individuals, local cycling clubs and other organizations is currently recorded as a liability.

	2010 \$	2009 \$
Balance, beginning of year	10,454	10,454
External contributions	—	—
Balance, end of year	10,454	10,454

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

5. DEFERRED CONTRIBUTIONS RELATED TO EQUIPMENT

Deferred contributions related to equipment represent restricted contributions with which equipment was acquired. The balance in the account is as follows:

	2010 \$	2009 \$
Balance, beginning of year	11,129	3,110
Add: donated equipment	—	10,532
Less: amounts amortized to revenue	(3,369)	(2,513)
Balance, end of year	7,760	11,129

6. INTERNALLY RESTRICTED FUNDS

(i) Contingency Fund

The Society's Board of Directors have internally restricted \$11,200 for capital improvements and other large expenditures.

(ii) Capital Replacement Fund

In 2005, the Society's Board of Directors internally restricted \$10,000 for the purchase of capital improvements. In 2006, the Society purchased a Finish Lynx camera for \$9,737.

7. SPONSORSHIP REVENUE

The following sponsorships in kind received during the year have been recognized as revenue and expense in the statement of operations.

	2010 \$	2009 \$
Apparel	27,100	14,618
	27,100	14,618

The corresponding expense for the sponsorship is included in race, programs and events costs.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

8. CAPITAL LEASE OBLIGATION

During the year, the Society entered into a lease for a van which is accounted for as a capital asset. Future minimum lease payments due over the next two years are estimated as follows:

	Total \$
2011	11,411
2012	12,536
Total future minimum lease payments	23,947
Less: future interest payments	(3,029)
Total lease obligations	20,918
Less: current portion	(9,063)
	11,855

The related vehicle is pledged as collateral for the capital lease obligation.

9. COMMITMENTS

i) Premise lease

The Society has entered into a joint premise lease with three other parties effective April 1, 2008. The Society is committed to 27.55% of the rent until the expiration of the lease on March 31, 2015. The approximate annual basic rent and operating costs, excluding parking, are estimated as follows:

	Total \$
2011	44,807
2012	46,193
2013	46,193
2014	46,193
2015	11,548
	194,934

ii) Photocopier lease

The Society has entered into a five year photocopier lease effective May 1, 2009 which expires on April 30, 2014. The lease requires annual payments of \$3,030 plus taxes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

10. CAPITAL DISCLOSURES

The Society defines its capital as its fund balances. The Society manages its capital in order to ensure sufficient resources are available to continue as a going concern and to achieve its purpose as disclosed in note 1. The Society accomplishes this, in part, by depositing its surplus capital with a chartered Canadian financial institution.

The Society is subject to an externally imposed capital restriction with respect to certain funds received from the Province of British Columbia (the "Province") under the provincial gaming revenues grant program. The Society segregates the subject funds received from the Province by way of a dedicated bank account and only spends the funds on assets or program expenses that are within the guidelines established by the Province. Management and the Board of Directors of the Society regularly monitor the use of the Funds to ensure such compliance with the provincial guidelines.

There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2010.

11. CONTINGENT LIABILITY

The Society could be held jointly responsible for another co-tenant's rent on the premise lease if one or more of the other three co-tenants defaults on its portion of the premise lease payments. The Society would have the option to take over the space or to sub-lease the space to another organization if a co-tenant moves out of the joint premise. Currently, there is no additional obligation to the Society other than the amounts disclosed in note 9 (i).

12. COMPARATIVE FIGURES

Certain of the 2009 comparative figures have been reclassified to conform with the current year's presentation.