

Cycling British Columbia
FINANCIAL STATEMENTS
December 31, 2012



D+H Group LLP
Chartered Accountants
Understanding, Advising, Guiding

Cycling British Columbia
FINANCIAL STATEMENTS
December 31, 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cycling British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of Cycling British Columbia, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, statements of changes in net assets and statements of cash flows for the years ended December 31, 2012 and December 31, 2011, 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 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cycling British Columbia as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements that describe matters and conditions that may indicate the existence of a material uncertainty and that may cast significant doubt about Cycling British Columbia's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that in our opinion the accounting principles in the Canadian accounting standards for not-for-profit organizations have been applied on a consistent basis.

Vancouver, B.C.
May 31, 2013


Chartered Accountants

Cycling British Columbia

STATEMENTS OF FINANCIAL POSITION

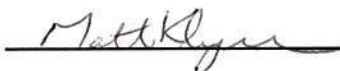
	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
CURRENT ASSETS			
Cash	\$ 19,424	\$ 209,864	\$ 55,361
Accounts receivable	57,284	69,380	93,340
Prepaid expenses	<u>9,771</u>	<u>23,822</u>	<u>20,026</u>
	86,479	303,066	168,727
EQUIPMENT (Note 4)	<u>122,103</u>	<u>97,324</u>	<u>83,555</u>
	\$ <u>208,582</u>	\$ <u>400,390</u>	\$ <u>252,282</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities (Note 5)	\$ 311,848	\$ 67,606	\$ 64,154
Deferred revenue	146,505	188,089	92,449
Current portion of obligation under capital lease	<u>-</u>	<u>8,556</u>	<u>9,063</u>
	458,353	264,251	165,666
OBLIGATION UNDER CAPITAL LEASE	-	-	11,855
DEFERRED CONTRIBUTIONS RELATING TO EQUIPMENT (Note 6)	<u>8,398</u>	<u>11,967</u>	<u>7,760</u>
	<u>466,751</u>	<u>276,218</u>	<u>185,281</u>
COMMITMENTS UNDER OPERATING LEASES (Note 7)			
NET ASSETS (LIABILITIES)			
CONTINGENCY FUND	11,200	11,200	11,200
CAPITAL REPLACEMENT FUND	263	263	263
FUTURE HEROES FUND	10,454	10,454	10,454
INVESTMENT IN CAPITAL ASSETS	113,705	76,800	54,877
UNRESTRICTED (DEFICIT)	<u>(393,791)</u>	<u>25,455</u>	<u>(9,793)</u>
	<u>(258,169)</u>	<u>124,172</u>	<u>67,001</u>
	\$ <u>208,582</u>	\$ <u>400,390</u>	\$ <u>252,282</u>

See accompanying notes to the financial statements.

Approved by the Board



Director



Director

Cycling British Columbia

STATEMENTS OF OPERATIONS

Years ended December 31

	2012	2011
REVENUE		
Grants	\$ 451,352	\$ 390,813
Contributions	303,278	337,655
Memberships and licenses	324,208	299,372
Gaming grants	250,000	250,000
Sponsorship	53,768	91,071
Race revenue	52,384	58,064
Programs and events	86,279	57,586
Amortization of deferred contributions relating to equipment	3,596	3,492
Other income	—	306
	<u>1,524,865</u>	<u>1,488,359</u>
COST OF SERVICES		
Affiliation fees	32,565	36,332
Insurance – member/commercial event	56,679	71,081
Race, programs and events costs	640,869	394,840
Subcontractors	<u>109,865</u>	<u>114,186</u>
	<u>839,978</u>	<u>616,439</u>
NET CONTRIBUTION	<u>684,887</u>	<u>871,920</u>
EXPENSES		
Amortization of equipment	38,797	31,921
Bad debts	652	4,671
Bank charges, credit card commissions and online service fees	24,976	22,655
Communication	31,681	30,479
Insurance	2,100	3,500
Office operations	68,077	54,139
Professional fees	36,679	9,856
Publications, promotion and marketing	60	403
Rent	55,110	51,673
Salaries, benefits and contract labor	<u>809,096</u>	<u>605,452</u>
	<u>1,067,228</u>	<u>814,749</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ <u>(382,341)</u>	\$ <u>57,171</u>

See accompanying notes to the financial statements.

Cycling British Columbia

STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31

	Contingency Fund (Note 8)	Capital Replacement Fund (Note 8)	Future Heroes Fund (Note 8)	Investment in Capital Assets	Unrestricted	Total	
						2012	2011
Net assets, beginning of year	\$ 11,200	\$ 263	\$ 10,454	\$ 76,800	\$ 25,455	\$ 124,172	\$ 67,001
Excess (deficiency) of revenue over expenses	-	-	-	-	(382,341)	(382,341)	57,171
Amortization of equipment	-	-	-	(38,797)	38,797	-	-
Amortization of deferred contribution relating to equipment	-	-	-	3,569	(3,569)	-	-
Purchase of equipment	-	-	-	63,577	(63,577)	-	-
Capital lease payments	-	-	-	8,556	(8,556)	-	-
Net assets, end of year	\$ <u>11,200</u>	\$ <u>263</u>	\$ <u>10,454</u>	\$ <u>113,705</u>	\$ <u>(393,791)</u>	\$ <u>(258,169)</u>	\$ <u>124,172</u>

See accompanying notes to the financial statements.

Cycling British Columbia

STATEMENTS OF CASH FLOWS

Years ended December 31

	2012	2011
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (382,341)	\$ 57,171
Item not affecting cash		
Amortization of equipment	38,797	31,912
Changes in non-cash working capital		
Decrease (increase) in		
Accounts receivable	12,096	23,960
Prepaid expenses	14,051	(3,796)
Increase (decrease) in		
Accounts payable and accrued liabilities	244,242	3,452
Deferred revenue	(41,584)	95,640
Deferred contributions relating to equipment	(3,569)	(3,483)
	(118,308)	204,856
CASH FLOWS FROM (USED IN) FINANCING ACTIVITY		
Payments under capital lease	(8,556)	(12,362)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITY		
Purchases of equipment	(63,576)	(37,991)
INCREASE (DECREASE) IN CASH DURING THE YEAR	(190,440)	154,503
CASH, beginning of year	209,864	55,361
CASH, end of year	\$ 19,424	\$ 209,864

See accompanying notes to the financial statements.

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

1. NATURE OF OPERATIONS

Cycling British Columbia (the "Society") was incorporated under the Society Act (British Columbia) on February 27, 1974 with the purpose of facilitating programs for bicycling and bicyclists in British Columbia.

The Society is exempt from income taxation under Section 149 of the *Income Tax Act* (Canada) as long as certain criteria continue to be met.

As at December 31, 2012, the Society has net liabilities of \$ 258,169 (2011 net assets – \$ 25,455). During the year, the Society incurred a deficiency of revenue over expenses of \$ 382,341 (2011 excess of revenue over expenses – \$ 57,171). The Society's ability to continue as a going concern is dependent on its ability to continue to obtain unrestricted and restricted contributions including government and other grants.

2. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2011, the Society has adopted the new Canadian accounting standards for not-for-profit organizations ("ASNPO") prescribed by the Canadian Institute of Chartered Accountants ("CICA"). Included in ASNPO are transitional provisions prescribed under 1501, *First-time adoption by not-for-profit organizations*, requiring retroactive application of ASNPO while permitting certain elective exemptions to retroactive application of some standards and prohibiting retroactive application of aspects of other standards.

The financial statements of the Society for the year ended December 31, 2012 are the first financial statements of the Society prepared in accordance with ASNPO. The financial statements of the Society for the previous year ended December 31, 2011 were prepared using Canadian generally accepted accounting principles prescribed by CICA Handbook – XFI.

The significant accounting policies set out in Note 3 reflect the requirements of ASNPO and have been applied in preparing the financial statements for the year ended December 31, 2012, comparative information for the year ended December 31, 2011, and the opening balance sheet as at January 1, 2011 (being the Society's date of transition to ASNPO).

No adjustments were required to previously reported assets, liabilities, net assets, excess (deficiency) of revenue over expenses and cash flows of the Society as a result of adopting ASNPO.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which necessarily involves the use of estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of significant accounting policies summarized below.

Use of estimates

The preparation of 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 amounts of revenues and expenditures reported during the year. Actual results could differ from these estimates.

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Equipment

Equipment are carried at cost less accumulated amortization. Amortization is provided over the estimated useful life of each equipment using the declining balance method at the following annual rates:

Office and computer equipment	– 30%
Sports equipment	– 30%
Vehicles	– 30%
Website	– 100%

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

Revenue recognition

The Society follows the deferral method of accounting for sponsorship and other contributions. Sponsorship includes cash contributions. Cash contributions are recognized when receivable if the amount to be received can be estimated and collection is reasonably assured.

Restricted contributions are deferred and recognized as revenue in the year related expenses are incurred. Restricted contributions include donated equipment which is recorded at fair market value when donated and is deferred and recognized as revenue when related amortization is recorded. 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 recognized as revenue when the amounts to be received can be estimated and collection is reasonably assured.

Proceeds from gaming grants are recorded as revenue when received.

Deferred revenue

Revenue relating to events occurring or expenditures incurred after year end are recorded as deferred revenue. Deferred revenue is included in revenue when the event occurs or expenditures are incurred.

Impairment of long-lived assets

The carrying amount of a capital asset is written down to its residual value when the capital asset no longer has any long-term service potential to the Society. In that event, the amount by which the carrying value of an impaired capital asset exceeds its residual value is charged to operations.

4. EQUIPMENT

	2012		
	Cost	Accumulated amortization	Net
Office and computer equipment	\$ 140,526	\$ 117,692	\$ 22,834
Sports equipment	143,713	66,680	77,033
Vehicles	53,757	31,521	22,236
Website	3,236	3,236	–
	<u>\$ 341,232</u>	<u>\$ 219,129</u>	<u>\$ 122,103</u>

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

4. EQUIPMENT - continued

		2011	
	Cost	Accumulated amortization	Net
Office and computer equipment	\$ 137,334	\$ 108,591	\$ 28,743
Sports equipment	87,309	45,662	41,647
Vehicles			
– capital lease	33,589	13,604	19,985
– other	16,187	9,238	6,949
Website	3,236	3,236	–
	<u>\$ 277,655</u>	<u>\$ 180,331</u>	<u>\$ 97,324</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities \$ 8,459 (2011 – \$ 9,748) owed to the Receiver General for payroll remittances.

6. DEFERRED CONTRIBUTIONS RELATING TO EQUIPMENT

Deferred contributions relating to equipment represent restricted equipment contributions. The balance in the account is as follows:

	2012	2011
Balance, beginning of year	\$ 11,967	\$ 7,760
Add: Donated equipment	–	7,699
Less: Amounts amortized to revenue	<u>(3,569)</u>	<u>(3,492)</u>
Balance, end of year	<u>\$ 8,398</u>	<u>\$ 11,967</u>

7. COMMITMENTS UNDER OPERATING LEASES

Premise lease

The Society entered into a joint premise lease with three other parties effective April 1, 2008. The Society is committed to pay 27.55% of the rent until the expiration of the lease on March 31, 2015. The Society is obligated to make the following annual basic rent and operating payments, excluding parking, under the premise lease in the fiscal years ending:

December 31, 2013	\$ 46,193
December 31, 2014	46,193
December 31, 2015	<u>11,548</u>
	<u>\$ 103,934</u>

The Society is jointly responsible for co-tenant's rent on the premise lease if one of more of the 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 under the premise lease other than the amounts disclosed above.

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012 and 2011

7. COMMITMENTS UNDER OPERATING LEASES – continued

Vehicle lease

The Society leased a vehicle under an agreement expiring October 31, 2014. The Society is obligated to make the following minimum lease payments under the vehicle lease in the fiscal years ending:

December 31, 2013	\$	9,239
December 31, 2014		<u>7,699</u>
	\$	<u><u>16,938</u></u>

8. RESTRICTED FUNDS

Contingency Fund

The Society has internally restricted \$ 11,200 for capital improvements and other large expenditures.

Capital Replacement Fund

The Society has internally restricted funds for the purchase of capital improvements.

Future Heroes Fund

The Society has restricted \$ 10,454 to support funding of awards for youth cyclists from British Columbia. The Society intends to create an endowment in the future to support the Future Heroes award.

9. FINANCIAL INSTRUMENTS

Financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities.

Fair value

The fair value of cash, accounts receivable and accounts payable are believed to equal their carrying amounts due to their short terms to maturity.

Credit risk

Cash and accounts receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Society mitigates its credit risk exposure by only dealing with donors or contributors who are believed to be creditworthy.



D+H Group LLP
Chartered Accountants

Understanding, Advising, Guiding



D+H Group LLP Chartered Accountants
10th Floor, 1333 West Broadway
Vancouver, British Columbia
Canada V6H 4C1

Telephone: 604 731 5881
Facsimile: 604 731 9923
Email: info@dhgroup.ca

www.DHgroup.ca

A B.C. Limited Liability Partnership of Corporations