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**Cycling British Columbia**  
**Financial Statements**  
December 31, 2013

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## 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 statement of financial position as at December 31, 2013 and the statement of operations, statement of changes in net liabilities and statement of 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 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 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 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, 2013, 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.

#### **D+H Group LLP Chartered Accountants**

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*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty 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 basis consistent with that of the preceding year.

Vancouver, B.C.

May 29, 2014



**Chartered Accountants**

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# Cycling British Columbia

## Statement of Financial Position

December 31, 2013

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	2013 \$	2012 \$
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<b>Assets</b>		
Current assets		
Cash	105,195	19,424
Accounts receivable	90,339	57,284
Prepaid expenses	<u>8,769</u>	<u>9,771</u>
	204,303	86,479
 Equipment (Note 3)	 <u>63,229</u>	 <u>122,103</u>
	267,532	208,582
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<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	45,707	311,848
Deferred revenue	<u>221,707</u>	<u>146,505</u>
	267,414	458,353
 Deferred contributions relating to equipment (Note 5)	 <u>5,878</u>	 <u>8,398</u>
	<u>273,292</u>	<u>466,751</u>
 Commitments under operating leases (Note 6)		
 <b>Net assets (net liabilities)</b>		
Contingency Fund	11,200	11,200
 Capital Replacement Fund	 263	 263
 Future Heroes Fund	 10,454	 10,454
 Investment in equipment	 57,351	 113,705
 Unrestricted (deficit)	 <u>(85,028)</u>	 <u>(393,791)</u>
	<u>(5,760)</u>	<u>(258,169)</u>
	267,532	208,582
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*See accompanying notes to the financial statements.*

Approved by the Board \_\_\_\_\_, Director \_\_\_\_\_, Director \_\_\_\_\_

# Cycling British Columbia

## Statement of Operations

Year ended December 31, 2013

	2013 \$	2012 \$
<b>Revenue</b>		
Grants	224,366	451,352
Contributions	203,337	303,278
Memberships and licenses	341,039	324,208
Gaming grants	250,000	250,000
Sponsorship	50,350	53,768
Race revenue	52,723	52,384
Programs and events	114,060	86,279
Amortization of deferred contributions relating to equipment	<u>2,519</u>	<u>3,596</u>
	<u>1,238,394</u>	<u>1,524,865</u>
<b>Cost of services</b>		
Affiliation fees	39,914	32,565
Insurance - member/commercial event	51,051	56,679
Race, programs and events costs	171,403	640,869
Subcontractors	<u>81,214</u>	<u>109,865</u>
	<u>343,582</u>	<u>839,978</u>
<b>Net contribution</b>	<u>894,812</u>	<u>684,887</u>
<b>Expenses</b>		
Amortization of equipment	32,670	38,797
Bad debts	1,000	652
Bank charges, credit card commissions and online service fees	24,847	24,976
Communication	21,902	31,681
Insurance	4,036	2,100
Loss on dispositions of equipment	11,006	-
Office operations	41,042	68,077
Professional fees	43,810	36,679
Publications, promotion and marketing	1,732	60
Rent	57,455	55,110
Salaries, benefits and contract labor	<u>402,903</u>	<u>809,096</u>
	<u>642,403</u>	<u>1,067,228</u>
<b>Excess (deficiency) of revenue over expenses</b>	252,409	(382,341)

See accompanying notes to the financial statements.

**Cycling British Columbia**  
**Statement of Changes in Net Liabilities**  
**Year ended December 31, 2013**

						<b>2013</b> \$
	Contingency Fund (Note 7)	Capital Replacement Fund (Note 7)	Future Heroes Fund (Note 7)	Investment in equipment	Unrestricted	Total
<b>Net assets (net liabilities), beginning of year</b>	11,200	263	10,454	113,705	(393,791)	(258,169)
Excess (deficiency) of revenue over expenses	-	-	-	-	252,409	252,409
Amortization of equipment	-	-	-	(32,670)	32,670	-
Amortization of deferred contribution relating to equipment	-	-	-	2,519	(2,519)	-
Purchase of equipment	-	-	-	6,386	(6,386)	-
Dispositions of equipment	-	-	-	(32,589)	32,589	-
<b>Net assets (net liabilities), end of year</b>	11,200	263	10,454	57,351	(85,028)	(5,760)

						<b>2012</b> \$
	Contingency Fund (Note 7)	Capital Replacement Fund (Note 7)	Future Heroes Fund (Note 7)	Investment in capital assets	Unrestricted	Total
<b>Net assets (net liabilities), beginning of year</b>	11,200	263	10,454	76,800	25,455	124,172
Excess (deficiency) of revenue over expenses	-	-	-	-	(382,341)	(382,341)
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)	-
<b>Net assets (net liabilities), end of year</b>	11,200	263	10,454	113,705	(393,791)	(258,169)

See accompanying notes to the financial statements.

# Cycling British Columbia

## Statement of Cash Flows

Year ended December 31, 2013

	2013 \$	2012 \$
<b>Cash flows from (used in) operating activities</b>		
Excess (deficiency) of revenue over expenses	252,409	(382,341)
Items not affecting cash		
Amortization of equipment	32,670	38,797
Loss on dispositions of equipment	11,006	-
Changes in non-cash working capital		
Decrease (increase) in		
Accounts receivable	(33,055)	12,096
Prepaid expenses	1,002	14,051
Increase (decrease) in		
Accounts payable and accrued liabilities	(266,141)	244,242
Deferred revenue	75,202	(41,584)
Deferred contributions relating to equipment	<u>(2,519)</u>	<u>(3,569)</u>
	<u>70,574</u>	<u>(118,308)</u>
<b>Cash flows from (used in) financing activity</b>		
Payments under capital lease	<u>-</u>	<u>(8,556)</u>
<b>Cash flows from (used in) investing activities</b>		
Purchases of equipment	(6,386)	(63,576)
Proceeds of dispositions of equipment	<u>21,583</u>	<u>-</u>
	<u>15,197</u>	<u>(63,576)</u>
<b>Increase (decrease) in cash during the year</b>	85,771	(190,440)
Cash, beginning of year	<u>19,424</u>	<u>209,864</u>
<b>Cash, end of year</b>	105,195	19,424

See accompanying notes to the financial statements.

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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2013

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### 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, 2013, the Society has net liabilities of \$ 5,760 (and net liabilities of \$ 258,169 as at December 31, 2012). During the year, the Society had an excess of revenue over expenses of \$ 252,409 (and had a deficiency of revenue over expenses of \$ 382,341 for 2012 fiscal year). 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. 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.

#### Equipment

Equipment is 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%
Vehicle	-	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.



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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2013

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### 2. Significant accounting policies - continued

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.

3. Equipment	2013		
	\$		
	Cost	Accumulated amortization	Net
Office and computer equipment	138,037	123,203	14,834
Sports equipment	131,974	86,614	45,360
Vehicle	7,186	4,151	3,035
Website	<u>3,236</u>	<u>3,236</u>	-
	280,433	217,204	63,229
	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	<u>3,236</u>	<u>3,236</u>	-
	341,232	219,129	122,103

### 4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$ 14,915 (2012 - \$ 8,459) owed to the Receiver General for Canada in respect of payroll remittances.

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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2013

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### 5. Deferred contributions relating to equipment

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

	2013 \$	2012 \$
Balance, beginning of year	8,398	11,967
Less: Amounts amortized to revenue	<u>(2,520)</u>	<u>(3,569)</u>
Balance, end of year	5,878	8,398

### 6. 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, 2014	46,193
December 31, 2015	<u>11,548</u>
	57,741

The Society is jointly responsible for co-tenant's rent on the premise lease if one or 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.

#### 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 year ending:

	\$
December 31, 2014	7,699

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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2013

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### 7. 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 \$ 263 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.

### 8. 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.