

Cycling British Columbia
FINANCIAL STATEMENTS
December 31, 2011



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

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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 (the "Society"), which comprise the statement of financial position as at December 31, 2011, and the statement of operations, statement changes in net assets 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 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 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, 2011, and the results of its operations and its cash flows for the year ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Society Act* (British Columbia), we report that in our opinion these principles have been applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
May 2, 2012


Chartered Accountants

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
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Cycling British Columbia
STATEMENT OF FINANCIAL POSITION
December 31, 2011

	<u>2011</u>	<u>2010</u> (Note 10)
ASSETS		
CURRENT ASSETS		
Cash	\$ 209,864	\$ 55,361
Accounts receivable	69,380	93,340
Prepaid expenses	<u>23,822</u>	<u>20,026</u>
	303,066	168,727
EQUIPMENT (Note 3)	<u>97,324</u>	<u>83,555</u>
	\$ <u>400,390</u>	\$ <u>252,282</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 67,606	\$ 64,154
Deferred revenue	188,089	92,449
Current portion of obligation under capital lease (Note 4)	<u>8,556</u>	<u>9,063</u>
	264,251	165,666
OBLIGATION UNDER CAPITAL LEASE (Note 4)	—	11,855
DEFERRED CONTRIBUTIONS RELATING TO EQUIPMENT (Note 5)	<u>11,967</u>	<u>7,760</u>
	<u>276,218</u>	<u>185,281</u>
COMMITMENTS UNDER OPERATING LEASES (Note 6)		
NET ASSETS		
CONTINGENCY FUND	11,200	11,200
CAPITAL REPLACEMENT FUND	263	263
FUTURE HEROES FUND	10,454	10,454
INVESTMENT IN CAPITAL ASSETS	76,800	54,877
UNRESTRICTED (DEFICIT)	<u>25,455</u>	<u>(9,793)</u>
	<u>124,172</u>	<u>67,001</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

STATEMENT OF OPERATIONS

Year ended December 31, 2011

	2011	2010 (Note 10)
REVENUE		
Grants	\$ 390,813	347,158
Contributions	337,655	218,265
Memberships and licenses	299,372	280,292
Gaming grants	250,000	250,000
Sponsorship	91,071	67,832
Race revenue	58,064	47,987
Programs and events	57,586	31,491
Amortization of deferred contributions relating to equipment	3,492	3,369
Other income	306	2,838
	<u>1,488,359</u>	<u>1,249,232</u>
COST OF SERVICES		
Affiliation fees	36,332	36,333
Insurance – member/commercial event	71,081	93,543
Race, programs and events costs	394,840	273,770
Subcontractors	114,186	62,995
	<u>616,439</u>	<u>466,641</u>
NET CONTRIBUTION	<u>871,920</u>	<u>782,591</u>
EXPENSES		
Amortization of equipment	31,921	28,532
Bad debts	4,671	2,353
Bank charges, credit card commissions and online service fees	22,655	11,298
Communication	30,479	28,315
Insurance	3,500	1,448
Office operations	54,139	37,838
Professional fees	9,856	9,520
Publications, promotion and marketing	403	495
Rent	51,673	52,101
Salaries, benefits and contract labor	605,452	545,427
	<u>814,749</u>	<u>717,327</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>57,171</u>	\$ <u>65,264</u>

See accompanying notes to the financial statements.

Cycling British Columbia

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2011

	Contingency Fund (Note 7)	Capital Replacement Fund (Note 7)	Future Heroes Fund (Note 7)	Investment in Capital Assets	Unrestricted	Total	
						2011	2010 (Note 10)
Net assets, beginning of year	\$ 11,200	\$ 263	\$ 10,454	\$ 54,877	\$ (9,793)	\$ 67,001	\$ 1,737
Excess of revenue over expenses	-	-	-	-	57,171	57,171	65,264
Amortization of equipment	-	-	-	(31,921)	31,921	-	-
Amortization of deferred contribution relating to equipment	-	-	-	3,492	(3,492)	-	-
Purchase of equipment	-	-	-	37,991	(37,991)	-	-
Capital lease payments	-	-	-	12,361	(12,361)	-	-
Net assets, end of year	\$ <u>11,200</u>	\$ <u>263</u>	\$ <u>10,454</u>	\$ <u>76,800</u>	\$ <u>25,455</u>	\$ <u>124,172</u>	\$ <u>67,001</u>

See accompanying notes to the financial statements.

Cycling British Columbia

STATEMENT OF CASH FLOWS

Year ended December 31, 2011

	<u>2011</u>	<u>2010</u> (Note 10)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 57,171	\$ 65,264
Items not affecting cash		
Amortization of equipment	31,912	28,532
Changes in non-cash working capital items		
Decrease (increase) in		
Accounts receivable	23,960	(45,085)
Prepaid expenses	(3,796)	(15,018)
Increase in		
Accounts payable and accrued liabilities	3,452	5,331
Deferred revenue	95,640	(1,905)
Deferred contributions relating to equipment	<u>(3,483)</u>	<u>(3,369)</u>
	<u>204,856</u>	<u>33,750</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITY		
Payments under capital lease	<u>(12,362)</u>	<u>(4,082)</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITY		
Purchases of equipment	<u>(37,991)</u>	<u>(15,219)</u>
INCREASE IN CASH DURING THE YEAR	154,503	14,449
CASH, beginning of year	<u>55,361</u>	<u>40,912</u>
CASH, end of year	\$ <u>209,864</u>	\$ <u>55,361</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Investing activity		
Purchase of equipment under capital lease	\$ <u>—</u>	\$ <u>(25,000)</u>
Financing activity		
Proceeds from capital lease financing	\$ <u>—</u>	\$ <u>25,000</u>

See accompanying notes to the financial statements.

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 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

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

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

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.

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES – continued

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 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.

Financial instruments

CICA Handbook Sections 3855 and 3861 set out criteria for the recognition, measurement, disclosure and presentation of financial instruments and require all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be the most relevant information, at cost or amortized cost. All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

The Society has designated its cash as held for trading which is measured at fair value.

Accounts receivable are classified as loans and receivables, which are measured at amortized cost using the effective interest rate method. Accounts payable and obligation under capital lease are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method.

The Society has elected to continue to apply CICA Handbook Section 3861 "Presentation and Disclosure" rather than adopt CICA Handbook Sections 3862 "Disclosure" and 3863 "Presentation". Section 3862 requires additional disclosure of the risks associated with financial instruments and how those risks are managed. Section 3863 requires additional disclosures for each class of financial instruments and their related significance to the financial statement. Management believes that the cost of preparing the additional disclosures exceeds incremental benefits.

3. EQUIPMENT

	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>
	2010		
	Cost	Accumulated amortization	Net
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	–
	<u>\$ 231,965</u>	<u>\$ 148,410</u>	<u>\$ 83,555</u>

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

4. OBLIGATION UNDER CAPITAL LEASE

The Society leases a vehicle under a capital lease expiring June 1, 2012. Future minimum lease payments due are estimated as follows in the fiscal year ending:

December 31, 2012	\$	11,805
Less: Imputed interest		<u>3,249</u>
Balance of obligation	\$	<u>8,556</u>

5. DEFERRED CONTRIBUTIONS RELATING TO EQUIPMENT

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

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 7,760	\$ 11,129
Add: Donated equipment	7,699	—
Less: Amounts amortized to revenue	<u>(3,492)</u>	<u>(3,369)</u>
Balance, end of year	\$ <u>11,967</u>	\$ <u>7,760</u>

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, 2012	\$	46,193
December 31, 2013		46,193
December 31, 2014		46,193
December 31, 2015		<u>11,548</u>
	\$	<u>150,127</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.

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, 2012	\$	9,239
December 31, 2013		9,239
December 31, 2014		<u>7,699</u>
	\$	<u>26,177</u>

Cycling British Columbia

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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 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.

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. The Society mitigates its credit risk exposure by only dealing with donors or contributors who are believed to be creditworthy.

9. CAPITAL DISCLOSURES

The Society manages its funds to ensure sufficient resources are available to continue as a going concern while pursuing its purposes as disclosed in Note 1. The Society accomplishes this, in part, by depositing surplus funds with a chartered Canadian financial institution.

The Society is subjected to externally imposed capital restrictions with respect to funds received from the Province of British Columbia under the provincial gaming revenues grant program. The Society segregates gaming grants received in a separate dedicated bank account and restricts spending to capital assets and program expenses permitted within Provincial guidelines.

There has been no change with respect to the overall capital risk management strategy during the year ended December 31, 2011.

10. COMPARATIVE FIGURES

Certain 2010 figures have been reclassified to conform to the presentation used in the current year. The 2010 figures were reported upon by another firm of public accountants.



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