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**Cycling British Columbia**  
**Financial Statements**  
December 31, 2019

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## Independent Auditor's Report

To the Board of Directors of Cycling British Columbia

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Cycling British Columbia (the "Society"), which comprise the statement of financial position as at December 31, 2019, and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### Basis for Opinion

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 Society 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 opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society'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 Society'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 Society 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.

### **Report on Other Legal and Regulatory Requirements**

As required by the *Societies 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.  
TBD

**Chartered Professional Accountants**

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# Cycling British Columbia

## Statement of Financial Position

December 31, 2019

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	2019	2018
	\$	\$
<b>Assets</b>		
Current assets		
Cash	93,618	214,504
Accounts receivable	106,411	125,840
Inventory	39,243	-
Prepaid expenses	<u>12,971</u>	<u>22,305</u>
	252,243	362,649
Equipment (Note 3)	<u>114,963</u>	<u>85,190</u>
	<u>367,206</u>	<u>447,839</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	67,467	132,345
Deferred revenue (Note 6)	163,166	99,824
Current portion of obligations under capital leases (Note 5)	<u>8,772</u>	<u>1,991</u>
	239,405	234,160
Obligations under capital leases (Note 5)	<u>10,097</u>	<u>3,983</u>
	249,502	238,143
Commitment under operating lease (Note 7)		
Subsequent event (Note 11)		
<b>Net assets</b>		
Net assets	<u>117,704</u>	<u>209,696</u>
	<u>367,206</u>	<u>447,839</u>

*The accompanying notes are an integral part of these financial statements.*

Draft - June 23, 2020

Approved by the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

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# Cycling British Columbia

## Statement of Operations and Changes in Net Assets

Year ended December 31, 2019

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	2019	2018
	\$	\$
<b>Revenue</b>		
Contributions	133,783	430,386
Gaming grants	187,000	191,374
Grants	195,557	158,414
Memberships and licenses	486,276	445,260
Race, program and event revenue	549,148	316,292
Sponsorship	64,195	79,466
Amortization of deferred contributions relating to equipment (Note 6)	7,166	11,923
	<u>1,623,125</u>	<u>1,633,115</u>
<b>Expenses</b>		
Affiliation fees	47,330	41,603
Amortization of equipment	35,145	27,364
Bank charges, credit card commissions and online service fees	56,601	53,404
Communication	11,401	10,797
Insurance - administration	2,500	2,500
Insurance - members/commercial event	154,857	143,618
Office operations	46,709	92,464
Professional fees	17,798	21,824
Publications, promotion and marketing	12,769	43,315
Race, program and event costs	563,184	423,701
Rent	37,882	12,000
Salaries and benefits (Note 8)	433,450	445,538
Subcontractors	295,491	329,760
	<u>1,715,117</u>	<u>1,647,888</u>
<b>Excess (deficiency) of revenue over expenses for the year</b>	(91,992)	(14,773)
Balance, beginning of year	<u>209,696</u>	<u>224,469</u>
<b>Balance, end of year</b>	<u>117,704</u>	<u>209,696</u>

*The accompanying notes are an integral part of these financial statements.*

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# Cycling British Columbia

## Statement of Cash Flows

Year ended December 31, 2019

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	2019	2018
	\$	\$
<b>Cash flows from (used in) operating activities</b>		
Excess (deficiency) of revenue over expenses for the year	(91,992)	(14,773)
Items not affecting cash		
Amortization of equipment	35,145	27,364
Gain on disposal of equipment	-	(6,050)
Amortization of deferred contributions relating to equipment	(7,166)	(11,923)
Changes in non-cash working capital		
Accounts receivable	19,429	43,870
Inventory	(39,243)	-
Prepaid expenses	9,334	(17,343)
Accounts payable and accrued liabilities	(64,881)	47,507
Deferred revenue	63,342	6,445
	<u>(76,032)</u>	<u>75,097</u>
<b>Cash flows from (used in) investing activities</b>		
Purchases of equipment	(44,854)	(19,710)
Proceeds from disposal of equipment	-	12,000
	<u>(44,854)</u>	<u>(7,710)</u>
<b>Cash flows from (used in) financing activity</b>		
Repayment of loan payable	-	(8,765)
	<u>-</u>	<u>(8,765)</u>
<b>Increase (decrease) in cash during the year</b>	(120,886)	58,622
Cash, beginning of year	<u>214,504</u>	<u>155,882</u>
<b>Cash, end of year</b>	<u>93,618</u>	<u>214,504</u>

See Note 10.

*The accompanying notes are an integral part of these financial statements.*

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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2019

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### 1. Nature of operations

Cycling British Columbia (the "Society") was incorporated on February 27, 1974 under the *Society Act* (British Columbia) with the purpose of facilitating programs for cycling and cyclists in British Columbia. In March 2017, the Society continued under the *Societies Act* (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 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 revenue and expenses reported during the year. Actual results could differ from these estimates.

#### Inventory

Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method.

#### Equipment

Equipment is carried at cost less accumulated amortization. Amortization is provided over the estimated useful life of each asset using the declining balance method applied 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.

#### Impairment of long-lived assets

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

#### 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.

Contributions revenue includes in-kind contributions of goods and property provided without charge or at a reduced charge. This revenue is recognized when the goods or property are provided and are recognized at the fair value of the goods or property. An equivalent amount is recognized in expenditures for the year.

# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2019

### 2. Significant accounting policies - continued

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

Deferred revenue consists of unexpended restricted contributions and revenue relating to events occurring after year end.

#### Leases

Leases are classified as either capital or operating leases. A lease that transfers substantially all the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are amortized on a straight-line basis over the term of the lease to a rent expense. At the inception of a capital lease, an asset and an obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease.

### 3. Equipment

	<b>2019</b>		
	\$		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Office and computer equipment	163,433	146,992	16,441
Sports equipment	192,417	128,475	63,942
Vehicles	81,394	46,814	34,580
Website	<u>13,125</u>	<u>13,125</u>	-
	450,369	335,406	114,963
	<b>2018</b>		
	\$		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Office and computer equipment	159,764	140,948	18,816
Sports equipment	156,459	108,777	47,682
Vehicle	56,105	37,413	18,692
Website	<u>13,125</u>	<u>13,125</u>	-
	385,453	300,263	85,190

Included in equipment are assets under capital lease with a cost of \$ 26,587 (2018 - \$ 5,974) and accumulated amortization of \$ 5,511 (2018 - \$ 896).



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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2019

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#### 4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$ 14,557 (2018 - \$ 16,097) owed to the Government of Canada in respect of payroll remittances.

#### 5. Obligations under capital leases

a) The Society leases computer hardware under a capital lease that expires in the 2021 fiscal year. The following is a schedule of the future minimum lease payments required under the capital lease:

	\$
Fiscal year ended December 31, 2020	1,991
Fiscal year ended December 31, 2021	<u>1,992</u>
Total minimum lease payments	3,983
Less: Current portion	<u>(1,991)</u>
	1,992

b) The Society leases a vehicle under a capital lease that expires in the 2022 fiscal year. The following is a schedule of the future minimum lease payments required under the capital lease:

	\$
Fiscal year ended December 31, 2020	7,655
Fiscal year ended December 31, 2021	7,655
Fiscal year ended December 31, 2022	<u>1,276</u>
Total minimum lease payments	16,586
Less: Imputed interest rate of 7.15% per annum	<u>(1,700)</u>
	14,886
Less: Current portion	<u>(6,781)</u>
	8,105

#### 6. Deferred contributions relating to equipment

Deferred contributions relating to equipment are included in deferred revenue and represent restricted equipment contributions. The balance of deferred contributions relating to equipment in the account is as follows:

	2019	2018
	\$	\$
Balance, beginning of year	6,488	1,411
Add: Donated equipment	34,800	17,000
Less: Amounts amortized to revenue	<u>(7,166)</u>	<u>(11,923)</u>
Balance, end of year	34,122	6,488

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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2019

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### 7. Commitment under operating lease

#### Premise lease

During the year, the Society entered into a lease agreement expiring April 30, 2024. The Society is obligated to make the following annual rent payments, which includes \$ 14,803 of estimated annual operating costs, under the premise lease in the fiscal years ending:

	\$
December 31, 2020	48,403
December 31, 2021	48,403
December 31, 2022	48,403
December 31, 2023	48,403
December 31, 2024	<u>16,134</u>
	209,746

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### 8. Remuneration paid to employees and contractors

Under the *Societies Act* (British Columbia) the Society is required to disclose the employees and contractors earning remuneration over \$ 75,000 in the fiscal year. The details are as follows:

	2019	2018
	\$	\$
Executive Director remuneration	106,685	109,250

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### 9. Financial instruments

Financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts, unless otherwise noted. It is management's opinion that the Society is not exposed to significant interest or currency risk arising from these financial instruments.

#### 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.

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# Cycling British Columbia

## Notes to the Financial Statements

December 31, 2019

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### 10. Supplemental cash flow information

During fiscal 2019 and 2018 non-cash activities were conducted by the Society as follows:

	2019	2018
	\$	\$
<b>Operating activity</b>		
Deferred revenue relating to contributed equipment	34,800	17,000
<b>Investing activity</b>		
Purchase of equipment	(55,413)	(22,974)
<b>Financing activity</b>		
Proceeds from obligation under capital leases	<u>20,613</u>	<u>5,974</u>
	-	-

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### 11. Subsequent event

Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a disease caused by a strain of a novel coronavirus ("COVID-19"), as a pandemic. This has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and operations of the Society in future periods.