
Cycling British Columbia
Financial Statements
December 31, 2020

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, 2020, 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, 2020, 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.

Chartered Professional Accountants

Cycling British Columbia

Statement of Financial Position

December 31, 2020

	2020	2019
	\$	\$
Assets		
Current assets		
Cash	372,475	93,618
Accounts receivable	136,255	106,411
Inventory	39,149	39,243
Prepaid expenses	<u>14,830</u>	<u>12,971</u>
	562,709	252,243
Equipment (Note 3)	<u>83,762</u>	<u>114,963</u>
	<u>646,471</u>	<u>367,206</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	58,480	67,467
Deferred revenue (Notes 6, 13)	251,134	163,166
Current portion of obligations under capital leases (Note 5)	<u>8,862</u>	<u>8,772</u>
	318,476	239,405
Obligations under capital leases (Note 5)	1,145	10,097
Government loan payable (Note 11)	<u>60,000</u>	<u>-</u>
	379,621	249,502
Commitment under operating lease (Note 7)		
Net assets		
Net assets	<u>266,850</u>	<u>117,704</u>
	<u>646,471</u>	<u>367,206</u>

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

Draft - June 2, 2021

Approved by the Board

_____, Director

_____, Director

Cycling British Columbia

Statement of Operations and Changes in Net Assets

Year ended December 31, 2020

	2020	2019
	\$	\$
Revenue		
Contributions	58,224	133,783
Gaming grants	127,385	187,000
Grants	275,756	195,557
Memberships and licenses	405,232	486,276
Race, program and event revenue	149,208	549,148
Sponsorship	36,210	64,195
Amortization of deferred contributions relating to equipment (Note 6)	10,461	7,166
	<u>1,062,476</u>	<u>1,623,125</u>
Expenses		
Affiliation fees	-	47,330
Amortization of equipment	35,069	35,145
Bank charges, credit card commissions and online service fees	41,743	56,601
Communication	9,582	11,401
Insurance - administration	2,500	2,500
Insurance - members/commercial event	178,042	154,857
Office operations	62,120	46,709
Professional fees	14,595	17,798
Publications, promotion and marketing	18,041	12,769
Race, program and event costs	137,296	563,184
Rent (Note 7)	48,585	37,882
Salaries and benefits (Note 8)	432,976	433,450
Subcontractors	124,798	295,491
	<u>1,105,347</u>	<u>1,715,117</u>
Excess (deficiency) of revenue over expenses from operations	(42,871)	(91,992)
Other item		
Government wage and rent subsidies (Note 12)	<u>192,017</u>	<u>-</u>
Excess (deficiency) of revenue over expenses for the year	149,146	(91,992)
Balance, beginning of year	<u>117,704</u>	<u>209,696</u>
Balance, end of year	<u>266,850</u>	<u>117,704</u>

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

Cycling British Columbia

Statement of Cash Flows

Year ended December 31, 2020

	2020	2019
	\$	\$
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expenses for the year	149,146	(91,992)
Items not affecting cash		
Amortization of equipment	35,069	35,145
Amortization of deferred contributions relating to equipment	(10,461)	(7,166)
Changes in non-cash working capital		
Accounts receivable	(29,844)	19,429
Inventory	94	(39,243)
Prepaid expenses	(1,859)	9,334
Accounts payable and accrued liabilities	(8,989)	(64,881)
Deferred revenue	96,930	63,342
	<u>230,086</u>	<u>(76,032)</u>
Cash flows from (used in) investing activity		
Purchases of equipment	<u>(2,368)</u>	<u>(44,854)</u>
Cash flows from (used in) financing activity		
Repayment of obligations under capital leases	(8,861)	-
Proceeds from government loan payable	60,000	-
	<u>51,139</u>	<u>-</u>
Increase (decrease) in cash during the year	278,857	(120,886)
Cash, beginning of year	<u>93,618</u>	<u>214,504</u>
Cash, end of year	<u>372,475</u>	<u>93,618</u>

See Note 10.

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

Cycling British Columbia

Notes to the Financial Statements

December 31, 2020

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.

On March 11, 2020, the World Health Organization declared an outbreak of a disease caused by a strain of a novel coronavirus ("CoVID-19"), as a pandemic. In mid-March 2020, federal, regional, and local authorities in Canada, the United States, and other nations began to significantly restrict the ability of people to leave their homes and carry out normal day-to-day activities. These measures will have a significant, negative effect on the economy of all nations for an uncertain period of time. 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 condition of the Society in future periods.

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.

Cycling British Columbia

Notes to the Financial Statements

December 31, 2020

2. Significant accounting policies - continued

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.

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 the related program expenses are incurred.

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.

Equipment	2020		
	\$		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Office and computer equipment	165,800	152,280	13,520
Sports equipment	193,917	147,882	46,035
Vehicles	81,394	57,187	24,207
Website	<u>13,125</u>	<u>13,125</u>	-
	<u>454,236</u>	<u>370,474</u>	<u>83,762</u>

Cycling British Columbia

Notes to the Financial Statements

December 31, 2020

3. Equipment - continued			2019 \$
	<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>	<u>-</u>
	450,369	335,406	114,963

Included in equipment are assets under capital lease with a cost of \$ 26,587 (2019 - \$ 26,587) and accumulated amortization of \$ 15,750 (2019 - \$ 5,511).

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$ 18,446 (2019 - \$ 14,557) 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, 2021	<u>1,991</u>
Total minimum lease payments	1,991
Less: Current portion	<u>(1,991)</u>
	-

- 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, 2021	7,655
Fiscal year ended December 31, 2022	<u>1,276</u>
Total minimum lease payments	8,931
Less: Imputed interest rate of 7.15% per annum	<u>(915)</u>
	8,016
Less: Current portion	<u>(6,871)</u>
	1,145

Cycling British Columbia

Notes to the Financial Statements

December 31, 2020

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:

	2020	2019
	\$	\$
Balance, beginning of year	34,122	6,488
Add: Donated equipment	1,500	34,800
Less: Amounts amortized to revenue	<u>(10,461)</u>	<u>(7,166)</u>
Balance, end of year	<u>25,161</u>	<u>34,122</u>

7. Commitment under operating lease

Premise lease

The Society entered into a lease agreement expiring April 30, 2024. The Society is obligated to make the following annual rent payments, which includes \$ 15,543 of estimated annual operating costs, under the premise lease in the fiscal years ending:

	\$
December 31, 2021	50,823
December 31, 2022	50,823
December 31, 2023	50,823
December 31, 2024	<u>16,941</u>
	<u>169,410</u>

The Society has received lease reductions due to COVID-19 and has applied the practical expedient to not recognize the change in the lease terms as a new lease. For the year ended December 31, 2020, the Society recognized \$ 4,410 of reduced lease payments in its statement of operations.

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:

	2020	2019
	\$	\$
CEO remuneration	114,750	106,685

9. Financial instruments

Financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, government loan payable and obligations under capital leases. 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.

Cycling British Columbia

Notes to the Financial Statements

December 31, 2020

9. Financial instruments - continued

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.

Interest rate risk

Obligations under capital leases bear interest as a fixed rate. Therefore, fluctuations in the market rate of interest would not have an effect on the Society's exposed interest rate risk.

10. Supplemental cash flow information

During fiscal 2020 and 2019 non-cash activities were conducted by the Society as follows:

	2020	2019
	\$	\$
Operating activity		
Deferred revenue relating to contributed equipment	1,500	34,800
Investing activity		
Purchase of equipment	(1,500)	(55,413)
Financing activity		
Proceeds from obligation under capital leases	-	20,613
	-	-

11. Government loan payable

During the current year, the Society received a \$ 60,000 loan under the Canada Emergency Business Account ("CEBA") program created by the Government of Canada in response to the CoVID-19 pandemic. The loan is non-interest bearing, and is repayable by December 31, 2022. If the Society repays \$ 40,000 of the loan before December 31, 2022, the remaining balance of \$ 20,000 will be forgiven. If the loan is not repaid in full by December 31, 2022, the remaining balance will be converted to a 3-year loan at 5% annual interest, paid monthly, effective January 1, 2023, with payment in full due on December 31, 2025.

12. Government wage and rent subsidies

The Society has made claims to receive subsidies under the Canada Emergency Wage Subsidy ("CEWS"), Canada Emergency Rent Subsidy ("CERS") and Temporary Wage Subsidy ("TWS") programs for the subsidization of employee wages and rent due to CoVID-19. The CEWS, CERS and TWS relate to current period expenditures. The measurement of CEWS, CERS, and TWS receivable is subject to uncertainty as the claims are subject to review and possible adjustment by the relevant authorities. During the year ending December 31, 2020, the Society applied for CEWS of \$ 174,782 (2019 - \$ Nil), CERS of \$ 8,985 (2019 - \$ Nil) and TWS of \$ 8,250 (2019 - \$ Nil). As at December 31, 2020, \$ 11,809 (2019 - \$ Nil) of government subsidies are included in accounts receivable.

Cycling British Columbia

Notes to the Financial Statements

December 31, 2020

13. Deferred Revenue

As at December 31, 2020, Society's deferred revenue consists of the following:

	2020	2019
	\$	\$
Grants	48,870	4,400
Memberships and licenses	71,923	91,096
Gaming grants	66,928	-
Sponsorship	20,628	21,023
Race, program and event	17,625	12,525
Deferred contributions relating to equipment	<u>25,160</u>	<u>34,122</u>
	<u>251,134</u>	<u>163,166</u>