
Cycling British Columbia
Financial Statements
December 31, 2023



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, 2023, 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, 2023, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Society had a deficiency of revenues over expenditures of \$ 132,779, and as at December 31, 2023, the Society had a working capital deficit of \$ 109,800 and net liabilities of \$ 6,132. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Society's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.
May 30, 2024

Chartered Professional Accountants

Cycling British Columbia

Statement of Financial Position

December 31, 2023

	2023	2022
	\$	\$
Assets		
Current assets		
Cash	33,947	227,731
Accounts receivable	163,034	160,763
Inventory	22,316	24,154
Prepaid expenses	15,446	18,250
	<u>234,743</u>	<u>430,898</u>
Equipment (Note 3)	<u>103,668</u>	<u>97,600</u>
	<u>338,411</u>	<u>528,498</u>
Liabilities		
Current liabilities		
Demand loan (Note 7)	22,500	-
Accounts payable and accrued liabilities (Note 4)	181,122	145,682
Loan payable (Note 11)	40,000	-
Deferred revenue (Notes 6 and 13)	98,792	190,110
Current portion of obligations under capital leases (Note 5)	2,129	3,930
	<u>344,543</u>	<u>339,722</u>
Obligations under capital leases (Note 5)	-	2,129
Loan payable (Note 11)	-	60,000
	<u>344,543</u>	<u>401,851</u>
Commitments under operating lease (Note 12)		
Nature of operations and going concern (Note 1)		
Net assets (liabilities)	<u>(6,132)</u>	<u>126,647</u>
	<u>338,411</u>	<u>528,498</u>

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

Approved by the Board

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Director

Martin Farnham
Martin Farnham (Jun 18, 2024 13:08 PDT)

Director

Cycling British Columbia

Statement of Operations and Changes in Net Assets

Year ended December 31, 2023

	2023	2022
	\$	\$
Revenue		
Contributions	84,977	49,293
Gaming grants	213,690	285,650
Grants	436,350	681,696
Memberships and licenses	713,295	579,139
Race, program and event revenue	320,627	240,532
Sponsorship	62,957	55,122
Amortization of deferred contributions relating to equipment (Note 6)	5,709	6,941
	<u>1,837,605</u>	<u>1,898,373</u>
Expenditures		
Affiliation fees	32,533	35,547
Amortization of equipment	33,435	30,199
Bank charges, credit card commissions and online service fees	86,210	73,069
Communication	15,625	12,915
Insurance - administration	5,394	4,105
Insurance - members/commercial event	263,655	249,509
Office operations	29,905	43,134
Professional fees	17,299	20,003
Publications, promotion and marketing	21,494	21,703
Race, program and event costs	341,856	392,166
Rent (Note 12)	59,529	56,388
Salaries and benefits (Note 8)	834,996	822,483
Subcontractors	248,453	231,845
	<u>1,990,384</u>	<u>1,993,066</u>
Excess (deficiency) of revenue over expenditures from operations	(152,779)	(94,693)
Other item		
Debt forgiveness (Note 11)	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures for the year	(132,779)	(94,693)
Balance, beginning of year	<u>126,647</u>	<u>221,340</u>
Balance, end of year	<u>(6,132)</u>	<u>126,647</u>

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

Cycling British Columbia

Statement of Cash Flows

Year ended December 31, 2023

	2023	2022
	\$	\$
Cash flows from (used in) operating activities		
Excess (deficiency) of revenue over expenditures for the year	(132,779)	(94,693)
Items not affecting cash		
Amortization of equipment	33,435	30,199
Amortization of deferred contributions relating to equipment	(5,709)	(6,941)
Debt forgiveness	(20,000)	-
Changes in non-cash working capital		
Accounts receivable	(2,271)	67,104
Inventory	1,838	15,288
Prepaid expenses	2,804	872
Accounts payable and accrued liabilities	35,440	19,625
Deferred revenue	(94,109)	(102,587)
	<u>(181,351)</u>	<u>(71,133)</u>
Cash flows from (used in) investing activities		
Purchases of equipment	(39,973)	(54,271)
Proceeds from disposition of equipment	8,970	-
	<u>(31,003)</u>	<u>(54,271)</u>
Cash flows from (used in) financing activities		
Repayment of obligations under capital leases	(3,930)	(5,075)
Demand loan proceeds	22,500	-
	<u>18,570</u>	<u>(5,075)</u>
Increase (decrease) in cash during the year	(193,784)	(130,479)
Cash, beginning of year	<u>227,731</u>	<u>358,210</u>
Cash, end of year	33,947	227,731

See Note 10.

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

Cycling British Columbia

Notes to the Financial Statements

December 31, 2023

1. Nature of operations and going concern

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.

These financial statements have been prepared on the going concern basis which assumes the Society will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of operations. There is significant material uncertainty about the appropriateness of the use of the going concern assumption because during the year ended December 31, 2023, the Society had a deficiency of revenues over expenditures of \$ 132,779 (2022 - \$94,693), and as at December 31, 2023, the Society had a working capital deficit of \$ 109,800 (2022 - working capital of \$ 91,176) and net liabilities of \$ 6,132 (2022 - net assets of \$ 126,647).

The Society's ability to maintain operations is dependent on its ability to generate positive cash flows from operations, and to receive continued contributions from government or other sources. In an effort to address the elevated going concern risk, the Society is taking steps to better monitor operating cash flows and work towards reducing the working capital deficit. This includes changes to the management team, ongoing monitoring of cash flows and monthly forecasts, adjusting costs to align with secured funding, continuing to seek new funding sources, and reducing premise operating costs by moving to a virtual workspace. The Society also has access to a demand loan facility up to \$ 150,000, which can be used to meet short-term cash shortfalls.

Should the Society be unable to generate positive cash flows from operations, and does not receive sufficient contributions, the Society may not be able to meet its obligations. These financial statements do not include any adjustments to the carrying value of assets and liabilities, the reported revenues and expenditures and balance sheet classifications that would be necessary, should the Society be unable to continue as a going concern.

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. Significant estimates made by management include allowance for doubtful accounts, amortization and impairment of equipment, assessment of impairment of inventory, and accrued liabilities. 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.

Cycling British Columbia

Notes to the Financial Statements

December 31, 2023

2. Significant accounting policies - continued

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:

Artwork	-	20%
Office and computer equipment	-	30%
Sports equipment	-	30%
Vehicles	-	30%
Website	-	100%

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 services provided without charge or at a reduced charge. This revenue is recognized when the goods or services 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.

Comparative figures

Certain 2022 figures have been reclassified to conform to the presentation used in the current year.

Cycling British Columbia

Notes to the Financial Statements

December 31, 2023

3. Equipment	2023		
	\$		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Artwork	8,500	850	7,650
Office and computer equipment	177,830	167,946	9,884
Sports equipment	285,918	207,107	78,811
Vehicles	79,995	72,672	7,323
Website	<u>13,125</u>	<u>13,125</u>	<u>-</u>
	565,368	461,700	103,668

	2022		
	\$		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Office and computer equipment	178,240	163,710	14,530
Sports equipment	253,104	181,895	71,209
Vehicles	81,394	69,533	11,861
Website	<u>13,125</u>	<u>13,125</u>	<u>-</u>
	525,863	428,263	97,600

Included in equipment are assets under capital lease with a cost of \$ 36,630 (2022 - \$ 36,630) and accumulated amortization of \$ 27,387 (2022 - \$ 23,426).

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is \$ 27,983 (2022 - \$ 12,557) owed to the Government of Canada in respect of payroll remittances.

5. Obligations under capital leases

The Society leases computer hardware under two capital leases that expire in the 2024 fiscal year. The following is a schedule of the future minimum lease payments required under both capital leases:

	\$
Fiscal year ended December 31, 2024	<u>2,129</u>

Cycling British Columbia

Notes to the Financial Statements

December 31, 2023

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:

	2023 \$	2022 \$
Balance, beginning of year	16,197	23,138
Add: Donated equipment	8,500	-
Less: Amounts amortized to revenue	<u>(5,709)</u>	<u>(6,941)</u>
Balance, end of year	<u>18,988</u>	<u>16,197</u>

7. Demand loan

During the year the Society entered into a revolving demand facility in the amount of \$ 150,000. The facility bears interest at the lender's prime rate plus 0.75% per annum and is secured by the general security agreement and all property of the Society. At December 31, 2023, the Society utilized \$ 22,500 (2022 - \$ Nil) of this demand loan facility.

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.

For the year ended December 31, 2023 the Society paid remuneration totalling \$ 203,500 (2022 - \$ 196,040) to two (2022 - two) employees whose total remuneration exceeded \$ 75,000 on an individual basis. Total remuneration to these employees consists of compensation and benefits.

9. Financial instruments

Financial instruments consist of cash, accounts receivable, demand loan, 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.

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 at a fixed rate and therefore do not subject the Society to interest rate risk. Demand loan bears interest at a variable rate and therefore is subject to interest rate cash flow risk as fluctuations in the market rates or interest may increase or decrease its fair value.

Cycling British Columbia

Notes to the Financial Statements

December 31, 2023

10. Supplemental cash flow information

During fiscal 2023 and 2022 non-cash activities were conducted by the Society as follows:

	2023 \$	2022 \$
Operating activity		
Deferred revenue relating to contributed equipment	8,500	-
Investing activity		
Purchase of equipment	<u>(8,500)</u>	<u>-</u>
	-	-

11. Government loan payable

During the fiscal 2020 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 until December 31, 2023. If the Society repays \$ 40,000 of the loan before March 28, 2024, the remaining balance of \$ 20,000 will be forgiven. If the loan is not repaid in full March 28, 2024 the remaining balance will be converted to a 2-year loan at 5% annual interest, paid monthly, effective January 1, 2024, with payment in full due on December 31, 2026.

Subsequent to year-end, and prior to March 28, 2024, the Society repaid \$ 40,000 of the loan and the remaining balance of \$ 20,000 was forgiven.

12. Commitments under operating leases

Premise lease

The Society leases office premises in Burnaby under an operating lease expiring on April 30, 2024. The Society is obligated to make the following annual rent payments, which includes \$ 7,036 of estimated annual operating costs under the Burnaby premise lease, in the fiscal years ending:

	\$
December 31, 2024	<u>18,795</u>

Cycling British Columbia

Notes to the Financial Statements

December 31, 2023

13. Deferred Revenue

As at December 31, 2023, the Society's deferred revenue consists of the following:

	2023	2022
	\$	\$
Grants	-	58,681
Memberships and licenses	68,236	95,752
Gaming grants	107	796
Sponsorship	11,461	12,285
Race, program and event	-	6,400
Deferred contributions relating to equipment	<u>18,988</u>	<u>16,196</u>
	<u>98,792</u>	<u>190,110</u>









Cycling BC 2023 12 31 Audited Financial Statements

Final Audit Report

2024-06-20

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