

CANADIAN CYCLING ASSOCIATION

FINANCIAL STATEMENTS

MARCH 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Canadian Cycling Association:

We have audited the accompanying financial statements of Canadian Cycling Association, which comprise the statements of financial position as at March 31, 2013 and March 31, 2012, and the statements of changes in net assets, operations and cash flows for the years 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 qualified audit opinion.

Basis for Qualified Opinion

In common with similar organizations, the Association derives revenue from donations and other fund raising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Association and we were not able to determine whether any adjustments might be necessary to revenue, net revenue for the year, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Cycling Association as at March 31, 2013 and March 31, 2012, and the results its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

OHCD LLP

OUSELEY HARVEY CLIPSHAM DEEP LLP
Licensed Public Accountants

Ottawa, Ontario
July 23, 2013

CANADIAN CYCLING ASSOCIATION

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013

	2013	2012
CURRENT ASSETS		
Cash	\$ 282,555	\$ 158,858
Bank treasury deposit (note 3)	50,000	50,000
Accounts receivable	355,208	279,873
Inventory	25,589	58,687
Prepaid expenses	65,372	243,164
	<u>778,724</u>	<u>790,582</u>
CAPITAL ASSETS (note 2)	<u>358,345</u>	<u>333,103</u>
	<u>\$ 1,137,069</u>	<u>\$ 1,123,685</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 308,954	\$ 366,385
Deferred revenue (note 4)	2,572	88,302
	<u>311,526</u>	<u>454,687</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (note 5)	<u>228,804</u>	<u>223,904</u>
	<u>540,330</u>	<u>678,591</u>
NET ASSETS		
Invested in capital assets	129,541	109,199
Unrestricted net assets	467,198	335,895
	<u>596,739</u>	<u>445,094</u>
	<u>\$ 1,137,069</u>	<u>\$ 1,123,685</u>

CONTINGENCY (NOTE 7)

Approved on behalf of the Board:

_____ Director _____ Director

CANADIAN CYCLING ASSOCIATION

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance beginning of year	\$ 109,199	\$ 88,993
Amortization of capital assets	(123,341)	(117,049)
Acquisition of capital assets	148,583	118,628
Deferred funding of capital assets	(147,229)	(106,178)
Amortization of deferred funding	142,329	124,805
BALANCE END OF YEAR	\$ 129,541	\$ 109,199
UNRESTRICTED NET ASSETS		
Balance beginning of year	\$ 335,895	\$ 315,632
Net revenue for the year	151,645	40,469
Change related to capital assets	(20,342)	(20,206)
BALANCE END OF YEAR	\$ 467,198	\$ 335,895

CANADIAN CYCLING ASSOCIATION

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
REVENUE		
Sport Canada	\$ 925,500	\$ 956,500
Own the Podium	3,063,100	2,437,137
Canadian Olympic Committee	128,130	339,000
Insurance recoveries	411,595	357,782
Sponsorships	133,778	126,678
International hosting	357,997	389,998
Affiliation fees	227,516	226,357
Athlete contributions	221,473	258,309
Non-recurring contributions and other	279,671	197,343
Donations	60,500	307,650
Coaching Association of Canada	24,463	26,693
Doping recovery	44,388	32,802
Calendar fees	10,650	9,950
Rider levies	2,496	4,059
	5,891,257	5,670,258
EXPENSE		
Senior national team	2,059,170	2,211,978
Salary and benefits - staff	810,062	771,519
Salary and benefits - coaches	687,154	563,080
Insurance	407,177	380,342
International competitions	407,631	419,927
Administration	431,063	354,429
National team - other	333,952	276,698
Meetings	201,410	124,596
National competitions	79,926	79,168
Leadership development	48,750	50,596
Athlete development	46,840	200,268
Sport participation / development	43,372	36,516
Advertising and promotion	183,105	160,672
	5,739,612	5,629,789
NET REVENUE FOR THE YEAR	\$ 151,645	\$ 40,469

CANADIAN CYCLING ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net revenue for the year	\$ 151,645	\$ 40,469
Non cash items:		
amortization of capital assets	123,341	117,049
amortization of deferred funding	(142,329)	(124,805)
Changes in non cash working capital items:		
Accounts receivable	(75,335)	39,646
Inventories	33,098	(41,896)
Prepaid expenses	177,792	(79,377)
Accounts payable and accrued liabilities	(57,431)	42,344
Deferred revenue	61,499	182,088
	<u>272,280</u>	<u>175,518</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(148,583)	(118,628)
Increase in cash for the year	123,697	56,890
CASH BEGINNING OF YEAR	<u>158,858</u>	<u>101,968</u>
CASH END OF YEAR	<u>\$ 282,555</u>	<u>\$ 158,858</u>

CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013

The Association is a Registered Canadian Amateur Athletic Association incorporated under Part II of the Canada Business Corporations Act. Its primary purpose includes the instruction in and co-ordination of matters concerning the sport of amateur cycling in Canada at the national and international level.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (see note 8) and include the following significant accounting policies:

a) Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Revenue from unrestricted donations is recognized when received. Contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization of the related capital asset.

b) Donated goods and services

The Association benefits from sponsorship programs which provide goods and services for its athletes. The work of the Association is also dependent on the voluntary services of its members. The fair value of credits received from sponsors for merchandise purchased is reported as sponsorship revenue. Other donated goods and services are not recognized by the Association due to the difficulty in determining their fair value.

c) Capital assets

Capital assets are recorded at cost. Amortization is calculated as follows:

Automotive equipment	20% declining balance basis
Furniture and fixtures	12.5% declining balance basis
Computer equipment	20% declining balance basis
National team equipment	5 years straight line
Para equipment	33.3% declining balance basis
Athletic equipment	33.3% declining balance basis
Event equipment	33.3% declining balance basis
Leasehold improvements	10% declining balance basis

d) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the average cost method.

CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Use of estimates

The preparation of these 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

f) Financial instruments

Financial instruments are initially recognized at fair value and are subsequently measured at cost, amortized cost or cost less appropriate allowances for impairment.. They consist of cash, bank treasury deposit, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest rate, currency, credit, liquidity or market risks arising from its financial instruments and the carrying amount of the financial instruments approximate their fair value.

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2013	Net Book Value 2012
Automotive equipment	\$ 109,415	\$ 64,354	\$ 45,061	\$ 56,326
Furniture and fixtures	27,081	25,208	1,873	2,141
Computer equipment	75,419	53,596	21,823	25,759
National team equipment	604,281	433,676	170,764	146,893
Para equipment	241,765	133,120	108,645	87,974
Athletic equipment	2,500	2,500	-	237
Event equipment	40,866	34,534	6,332	9,499
Leasehold improvements	8,465	4,618	3,847	4,274
	<u>\$ 1,109,792</u>	<u>\$ 751,606</u>	<u>\$ 358,345</u>	<u>\$ 333,103</u>

3. CREDIT FACILITY

The Association has a bank credit line that provides for advances up to \$150,000. Interest is payable monthly, calculated at bank prime rate plus two percent per annum. As part of the facility, the Association is required to maintain \$50,000 in a bank treasury account. All assets of the Association are pledged as security for the credit line.

CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013

4. DEFERRED REVENUE

	2013		2012	
Self funded	\$	1,822	\$	15,302
Affiliation fees		750		-
Canadian Olympic Committee 2013FY funding		-		73,000
	\$	2,572	\$	88,302

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Contribution		Accumulated Amortization		2013		2012	
Contributions related to National and Para team equipment	\$	907,507	\$	678,703	\$	228,804	\$	223,904

Contributions related to national and para team equipment and accumulated amortization as at March 31, 2012 amounted to \$760,278 and \$536,374 respectively. During the year Sport Canada contributed \$147,229 (2012 - \$106,178) to fund the purchase of equipment which was classified as capital assets. This funding has been deferred and is recognized as revenue over the useful life of the related capital assets.

6. COMMITMENT

The Association is committed to rent office space under a five year lease that extends to July 31, 2017. Annual rent and operating costs approximate \$70,000.

7. CONTINGENCY

A legal action has been initiated against the Association and others claiming damages in the amount of \$1,000,000 for breach of contract, breach of trust and unjust enrichment. The Association is defending the action and is of the opinion that the action is without merit. The outcome of this action is not determinable. As a result, the loss, if any, has not been recorded in the financial statements.

CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013

8. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2012 the Association adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations (ASNFPO). These are the Association's first financial statements prepared in accordance with ASNFPO which has been applied retrospectively. The significant accounting policies in note 1 have been applied in preparing these financial statements for the year ended March 31, 2013 and the comparative information presented in these financial statements for the year ended March 31, 2012 and in the preparation of the opening balance sheet as at April 1, 2011 (the Association's date of transition).

The Association issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook - Accounting V. The adoption of ASNFPO had no impact on the previously reported assets, liabilities and net assets of the Association, and accordingly, no adjustments have been recorded in the comparative statements of financial position, changes in net assets, operations and cash flows; and the opening statement of financial position has not been presented.