
**ONTARIO CYCLING ASSOCIATION
INCORPORATED**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board
Ontario Cycling Association Incorporated
MILTON
Ontario

Report on the Financial Statements

We have audited the accompanying financial statements of Ontario Cycling Association Incorporated which comprise the statement of financial position as at December 31, 2017 and the statements of operations and changes in net assets and 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 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 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 auditors' judgement, 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 audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Ontario Cycling Association Incorporated as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
April 11, 2018

ONTARIO CYCLING ASSOCIATION INCORPORATED

STATEMENT OF FINANCIAL POSITION

As at December 31,	2017	2016
ASSETS		
Current		
Cash and cash equivalents	\$ 306,068	\$ 311,923
Restricted cash (Note 2)	31,350	32,351
Accounts receivable	53,176	82,778
Inventories	11,574	7,927
Prepaid expenses	7,545	30,269
	<u>\$ 409,713</u>	<u>\$ 465,248</u>
Capital Assets (Note 3)	<u>35,696</u>	<u>59,354</u>
	<u>\$ 445,409</u>	<u>\$ 524,602</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 74,647	\$ 21,541
Government remittances payable	3,381	7,232
Deferred revenues and grants (Note 4)	135,723	277,026
	<u>\$ 213,751</u>	<u>\$ 305,799</u>

NET ASSETS (Note 5)

Unrestricted	\$ 195,962	\$ 159,449
Funds Invested in Capital Assets	<u>35,696</u>	<u>59,354</u>
	<u>\$ 231,658</u>	<u>\$ 218,803</u>
	<u>\$ 445,409</u>	<u>\$ 524,602</u>

Contingent Liabilities (Note 7)

Commitments (Note 8)

Approved by the Board:

_____ Director _____ Director

See accompanying notes

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ONTARIO CYCLING ASSOCIATION INCORPORATED
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31,	2017	2016
REVENUES		
Membership	\$ 811,792	\$ 799,704
External grants and funding	561,700	521,633
Development	165,691	162,571
High performance	65,083	113,586
Other	38,011	27,293
Insurance fees	33,501	33,118
Cycling celebration, advertising	11,796	6,887
Charitable gaming	1,000	8,506
	<u>\$ 1,688,574</u>	<u>\$ 1,673,298</u>
EXPENSES		
High performance	\$ 453,007	\$ 489,533
Insurance costs	359,103	357,933
Administration	272,936	261,989
Development	230,735	211,541
Office	156,099	161,033
CCA affiliation	63,670	63,997
Trillium	50,841	64,719
Celebration, communication and web	42,376	41,392
Board of directors	6,613	3,248
Other	6,309	-
Club expense	5,075	5,392
Charitable gaming	1,000	8,889
	<u>\$ 1,647,764</u>	<u>\$ 1,669,666</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	\$ 40,810	\$ 3,632
Amortization	<u>27,955</u>	<u>32,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 12,855	\$ (29,313)
NET ASSETS - Beginning	<u>218,803</u>	<u>248,116</u>
NET ASSETS - Ending (Note 5)	<u><u>\$ 231,658</u></u>	<u><u>\$ 218,803</u></u>

See accompanying notes

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ONTARIO CYCLING ASSOCIATION INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended December 31,

2017

2016

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$ 12,855	\$ (29,313)
Items not affecting cash:		
Amortization	<u>27,955</u>	<u>32,945</u>
	\$ 40,810	\$ 3,632

Net change in non-cash working capital balances:

Restricted cash	1,001	8,509
Accounts receivable	29,602	(34,249)
Inventories	(3,647)	(4,515)
Prepaid expenses	22,724	(17,968)
Accounts payable and accrued liabilities	53,106	(64,900)
Government remittances payable	(3,851)	4,678
Deferred revenues and grants	<u>(141,303)</u>	<u>60,136</u>
	\$ (1,558)	\$ (44,677)

Purchases of capital assets:

Computer equipment	\$ (4,297)	\$ (4,657)
Office equipment	-	(1,497)
Automotive equipment	-	(940)
Leasehold improvements	-	(609)
	<u>\$ (4,297)</u>	<u>\$ (7,703)</u>

FINANCING ACTIVITIES

NET DECREASE IN CASH AND CASH EQUIVALENTS \$ (5,855) \$ (52,380)

CASH AND CASH EQUIVALENTS - Beginning 311,923 364,303

CASH AND CASH EQUIVALENTS - Ending \$ 306,068 \$ 311,923

SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents consist of the following:

Cash	\$ 223,217	\$ 229,542
Guaranteed investment certificates	<u>82,851</u>	<u>82,381</u>
	<u>\$ 306,068</u>	<u>\$ 311,923</u>

See accompanying notes

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ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NATURE OF OPERATIONS

Ontario Cycling Association Incorporated (the "Association"), a not-for-profit organization, was incorporated without share capital in 1973 under the laws of the Province of Ontario. The Association is exempt from income taxes under paragraph 149 (1)(l) of the Income Tax Act.

The objectives of the Association are:

- a) to encourage and promote competitive cycling and organized cycling events in Ontario;
- b) to help ensure an accessible safe and fair environment for competitive cyclists and organized cycling events;
- c) to encourage youth and adults to participate in cycling as a sport;
- d) to establish and regulate cycling championships among its members in Ontario;
- e) to facilitate development of athletes from the novice to national level;
- f) to carry on these objectives in affiliation with the Union Cyclist Internationale and the Canadian Cycling Association ("CCA").

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used. Significant estimates include the estimated useful life of capital assets.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances and cashable guaranteed investment certificates.

c) Inventories

Inventories, consisting of clothing, is recorded at the lower of cost and net realizable value with cost being determined using the first in first out method. Net realizable value is the estimated selling price in the ongoing course of business, less any applicable selling costs.

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

d) Capital Assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful life of the assets using the following annual rates and methods.

	<u>Rate</u>	<u>Method</u>
Computer equipment	30%	declining balance
Office equipment	30%	declining balance
Automotive equipment	30%	declining balance
Cycling equipment	3 years	straight-line
Website development costs	3 years	straight-line
Leasehold improvements	4 years	straight-line

e) Impairment of Capital Assets

When a capital asset no longer has any long-term service potential to the Association, the excess of its net carrying amount over any residual value is recognized as an expense.

f) Revenue Recognition

The Association follows the deferral method of accounting for revenues. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Income from membership fees, licenses, event levies, sponsorships and other income are recognized as revenue in the period earned. Government grants are recognized as revenue over the period being funded. Charitable gaming receipts are recognized as revenue in the year in which qualifying expenses are incurred.

g) Foreign Currency Translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate, while non-monetary assets are translated at the rate of exchange prevailing at the date of the transaction. Revenues and expenses are translated at the exchange rate provided at the date of the transaction.

h) Allocation of General Support Expenditures

Administration expenditures are allocated among various other activities based upon the time and efforts of staff to support these activities.

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES - Continued

i) Contributed Goods and Services

Contributed goods and services are not recorded in the accounts.

j) Financial Instruments

Measurement of Financial Instruments

The Association initially measures all of its financial assets and liabilities at fair value and subsequently measures all of its financial assets and liabilities at amortized cost.

Financial assets measured at amortized cost include cash and cash equivalents, and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities

The Association has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in the excess (deficiency) of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down.

2. RESTRICTED CASH

The Association is required to maintain a separate bank account for monies received from charitable gaming. These monies can only be disbursed from this account when qualifying expenses have been incurred. See Note 4.

3. CAPITAL ASSETS

Capital assets consist of the following:

	2017			2016
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 21,190	\$ 15,101	\$ 6,089	\$ 6,610
Office equipment	44,568	28,258	16,310	23,297
Automotive equipment	34,654	22,683	11,971	17,102
Cycling equipment	19,452	19,452	-	6,483
Website development costs	10,961	10,961	-	3,653
Leasehold improvements	3,331	2,005	1,326	2,209
	<u>\$ 134,156</u>	<u>\$ 98,460</u>	<u>\$ 35,696</u>	<u>\$ 59,354</u>

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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4. DEFERRED REVENUES AND GRANTS

Deferred revenues and grants represent unspent operating funds received in the current period that are related to a subsequent period and consist of the following:

	Government and Other Grants	Youth Cycling Development Fund	Charitable Gaming	2017 Net	2016 Net
Balance - Beginning	\$ 234,338	\$ 10,337	\$ 32,351	\$ 277,026	\$ 216,890
Monies received	\$ 427,227	\$ 4,670	\$ -	\$ 431,897	\$ 557,663
Revenue - recognized	(569,750)	(2,450)	(1,000)	(573,200)	(497,527)
	<u>\$ (142,523)</u>	<u>\$ 2,220</u>	<u>\$ (1,000)</u>	<u>\$ (141,303)</u>	<u>\$ 60,136</u>
Balance - Ending	<u>\$ 91,815</u>	<u>\$ 12,557</u>	<u>\$ 31,351</u>	<u>\$ 135,723</u>	<u>\$ 277,026</u>

According to the terms and conditions of the agreements entered into by the Association, grants received from various sources must be spent on approved programs within specified time frames.

5. NET ASSETS

Net assets consist of the following:

	2017		2016	
	Capital Assets	Unrestricted	Net Book Value	Net Book Value
Balance - Beginning	\$ 59,354	\$ 159,449	\$ 218,803	\$ 248,116
Excess of revenues over expenses before amortization	-	40,810	40,810	3,632
Amortization	(27,955)	-	(27,955)	(32,945)
	<u>\$ 31,399</u>	<u>\$ 200,259</u>	<u>\$ 231,658</u>	<u>\$ 218,803</u>
Transfers	4,297	(4,297)	-	-
Balance - Ending	<u>\$ 35,696</u>	<u>\$ 195,962</u>	<u>\$ 231,658</u>	<u>\$ 218,803</u>

Transfers of \$4,297 (2016 - \$7,701) have been made from unrestricted net assets to the net assets invested in capital assets for capital asset additions made during the year.

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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6. ALLOCATION OF GENERAL SUPPORT EXPENDITURES

During the year, administrative salaries and benefits totaling \$124,176 (2016 - \$125,519) were allocated among various activities as follows:

	2017	2016
Development	\$ 91,476	\$ 92,488
Celebration, communication and web	<u>32,700</u>	<u>33,031</u>
	<u>\$ 124,176</u>	<u>\$ 125,519</u>

7. CONTINGENT LIABILITIES

- a) The Association is contingently liable for the potential repayment of all or a portion of the grants and charitable gaming receipts received for certain expenditures should it not use the funds received for the express purposes as set out in the terms of the respective agreements. The Association does not anticipate having to make any such repayment as it plans to use the funds in accordance with the agreement. In the event that repayment becomes necessary, any such repayment will be recorded when the amount of the repayment is determined.
- b) The Association, along with one other organization, has been named in an action before the Human Rights Tribunal. The applications are seeking, among other things, monetary compensation in the amount of \$18,400 jointly and severally against the respondents. Management has not determined the likelihood of loss at this time and is of the opinion that the application has no merit. Accordingly, only estimated legal fees were accrued as at December 31, 2017.

8. COMMITMENTS

The Association leases premises within the Mattamy National Cycling Centre in Milton Ontario under a lease agreement which expires October 31, 2019. Future minimum annual rental repayments until lease expiration are as follows:

2018	\$ 57,617
2019	<u>48,812</u>
	<u>\$ 106,429</u>

ONTARIO CYCLING ASSOCIATION INCORPORATED

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DECEMBER 31, 2017

9. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Association is exposed to various risks through its financial instruments. The following analysis provides a summary of the Association's exposure to and concentrations of risk at December 31, 2017:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Association's main credit risk relates to its accounts receivable. The Association provides credit to its members in the normal course of operations. There were no concentrations of credit risk as at December 31, 2017. There has been no change in assessment of credit risk from the prior year.

b) Liquidity Risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Association manages this risk by managing its working capital and by generating sufficient cash flow from operations. There has been no change in the assessment of liquidity risk from the prior year.

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The Association is mainly exposed to currency risk as follows:

i) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at December 31, 2017, cash totaling approximately \$3,950 (2016 – \$2,600) is denominated in US dollars and has been converted into equivalent Canadian dollars at the exchange rate in effect at the year end. The exposure to this risk changes as the transaction amounts change and as the exchange rate fluctuates. The average U.S. exchange rate for 2017 was 1.30 (2016 - 1.32).