
**ONTARIO CYCLING ASSOCIATION
INCORPORATED**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEX

Page	1-2.	Independent Auditor's Report
	3.	Statement of Financial Position
	4.	Statement of Operations and Changes in Net Assets
	5.	Statement of Cash Flows
	6-12.	Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ontario Cycling Association Incorporated
MILTON
Ontario

Opinion

We have audited the accompanying financial statements of Ontario Cycling Association Incorporated 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 entity as at December 31, 2020 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.

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 entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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 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.

In preparing the financial statements, management is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

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

- 1 -

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 entity'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 entity'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 entity 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.



NORTON McMULLEN LLP

Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada

May 4, 2021

ONTARIO CYCLING ASSOCIATION INCORPORATED**STATEMENT OF FINANCIAL POSITION**

As at December 31,	2020	2019
ASSETS		
Current		
Cash and cash equivalents	\$ 979,239	\$ 575,122
Restricted cash (Note 2)	31,350	31,350
Accounts receivable (Note 7)	61,413	2,921
Government remittances receivable	602	-
Inventories	13,918	16,115
Prepaid expenses	10,801	121,990
	<u>\$ 1,097,323</u>	<u>\$ 747,498</u>
Capital Assets (Note 3)	<u>24,563</u>	<u>39,859</u>
	<u>\$ 1,121,886</u>	<u>\$ 787,357</u>

LIABILITIES**Current**

Accounts payable and accrued liabilities	\$ 31,163	\$ 37,984
Government remittances payable	-	4,628
Deferred revenues and grants (Note 4)	554,837	398,882
	<u>\$ 586,000</u>	<u>\$ 441,494</u>
CEBA Loan Payable (Note 5)	<u>30,000</u>	<u>-</u>
	<u>\$ 616,000</u>	<u>\$ 441,494</u>

NET ASSETS (Note 6)

Unrestricted	\$ 481,323	\$ 306,004
Invested in Capital Assets	24,563	39,859
	<u>\$ 505,886</u>	<u>\$ 345,863</u>
	<u>\$ 1,121,886</u>	<u>\$ 787,357</u>

Commitments (Note 9)

Approved by the Board:

Director_____
Director

See accompanying notes

- 3 -

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

For the year ended December 31,	2020	2019
REVENUES		
External grants and funding	\$ 503,172	\$ 384,152
Membership	391,537	842,180
Government Assistance (Note 7)	204,386	-
Development	60,350	195,056
High performance	54,954	68,513
Other	20,068	60,915
CEBA loan forgiveness (Note 5)	10,000	-
Insurance fees	6,340	37,830
	\$ 1,250,807	\$ 1,588,646
EXPENSES		
High performance	\$ 294,857	\$ 350,981
Administration	249,816	279,575
Development	179,708	259,211
Insurance costs	167,059	285,173
Office	123,800	171,261
Communication	38,015	40,046
Board of directors	7,073	3,805
Club expense	3,527	4,896
CCA affiliation	-	71,120
Other	-	5,289
	\$ 1,063,855	\$ 1,471,357
EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:	\$ 186,952	\$ 117,289
Amortization	26,929	27,136
EXCESS OF REVENUES OVER EXPENSES	\$ 160,023	\$ 90,153
NET ASSETS - Beginning	345,863	255,710
NET ASSETS - Ending (Note 6)	\$ 505,886	\$ 345,863

See accompanying notes

ONTARIO CYCLING ASSOCIATION INCORPORATED

STATEMENT OF CASH FLOWS

For the year ended December 31,

2020

2019

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

OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 160,023	\$ 90,153
Items not affecting cash:		
Amortization	26,929	27,136
CEBA loan forgiveness	(10,000)	-
	<u>\$ 176,952</u>	<u>\$ 117,289</u>
Net change in non-cash working capital balances:		
Accounts receivable	(58,492)	5,158
Government remittances receivable	(602)	-
Inventories	2,197	(2,546)
Prepaid expenses	111,189	(103,944)
Accounts payable and accrued liabilities	(6,821)	(12,031)
Government remittances payable	(4,628)	(232)
Deferred revenues and grants	155,955	215,691
	<u>\$ 375,750</u>	<u>\$ 219,385</u>

INVESTING ACTIVITIES

Purchases of capital assets:		
Leasehold improvements	\$ -	\$ (739)
Office equipment	(775)	-
Equipment	(10,858)	-
	<u>\$ (11,633)</u>	<u>\$ (739)</u>

FINANCIAL ACTIVITIES

Proceeds of CEBA loan payable	<u>\$ 40,000</u>	<u>\$ -</u>
-------------------------------	------------------	-------------

INCREASE IN CASH AND CASH EQUIVALENTS \$ 404,117 \$ 218,646

CASH AND CASH EQUIVALENTS - Beginning 606,472 387,826

CASH AND CASH EQUIVALENTS - Ending \$ 1,010,589 \$ 606,472

SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents consist of the following:

Unrestricted cash	\$ 729,658	\$ 491,858
Unrestricted guaranteed investment certificates	<u>249,581</u>	<u>83,264</u>
	<u>\$ 979,239</u>	<u>\$ 575,122</u>
Restricted Cash	<u>31,350</u>	<u>31,350</u>
	<u>\$ 1,010,589</u>	<u>\$ 606,472</u>

See accompanying notes

- 5 -

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, 2020

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 including external grants and funding 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 is 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. Government assistance provided for COVID-19 relief is recognized when received or receivable and collection is reasonably assured, as well as, when all conditions as to its use have been met.

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.

- 7 -

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, and the CEBA loan payable.

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 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:

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 32,306	\$ 24,842	\$ 7,464	\$ 2,687
Office equipment	45,364	37,558	7,806	7,997
Automotive equipment	34,654	30,547	4,107	5,866
Cycling equipment	71,873	66,777	5,096	22,570
Website development costs	10,961	10,961	-	-
Leasehold improvements	4,051	3,961	90	739
	<u>\$ 199,209</u>	<u>\$ 174,646</u>	<u>\$ 24,563</u>	<u>\$ 39,859</u>

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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	2020	2019
Balance - Beginning	\$ 353,200	\$ 14,332	\$ 31,350	\$ 398,882	\$ 183,192
Monies received	\$ 768,091	\$ 24,018	\$ -	\$ 792,109	\$ 657,458
Revenue - recognized	(634,379)	(1,775)	-	(636,154)	(441,768)
	<u>\$ 133,712</u>	<u>\$ 22,243</u>	<u>\$ -</u>	<u>\$ 155,955</u>	<u>\$ 215,690</u>
Balance - Ending	<u>\$ 486,912</u>	<u>\$ 36,575</u>	<u>\$ 31,350</u>	<u>\$ 554,837</u>	<u>\$ 398,882</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. CEBA LOAN PAYABLE

The Organization received a \$40,000 Canada Emergency Business Account ("CEBA") loan as part of the federal government's response to the COVID-19 pandemic. The loan is non-interest bearing and is due December 31, 2022. If \$30,000 is repaid by the due date, the remaining \$10,000 will be forgiven. The Organization recognized the \$10,000 forgivable portion as revenue in the current year and decreased its liability to \$30,000 as it expects to repay this amount by the due date.

6. NET ASSETS

Net assets consist of the following:

	2020			2019
	Capital Assets	Unrestricted	Total	Total
Balance - Beginning	\$ 39,859	\$ 306,004	\$ 345,863	\$ 255,710
Excess of revenues over expenses before amortization	-	186,952	186,952	117,289
Amortization	(26,929)	-	(26,929)	(27,136)
	<u>\$ 12,930</u>	<u>\$ 492,956</u>	<u>\$ 505,886</u>	<u>\$ 345,863</u>
Transfers	<u>11,633</u>	<u>(11,633)</u>	<u>-</u>	<u>-</u>
Balance - Ending	<u>\$ 24,563</u>	<u>\$ 481,323</u>	<u>\$ 505,886</u>	<u>\$ 345,863</u>

Transfers of \$11,633 (2019 - \$740) 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

DECEMBER 31, 2020

7. GOVERNMENT ASSISTANCE

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus. The situation is constantly evolving, and the safety measures put in place are having a significant impact on the economy and on society as a whole. The impact of the pandemic on the financial results of Ontario Cycling Association will depend on future developments, including the duration and severity of the pandemic, guidance and regulations implemented by medical and government bodies, and their impact on the economy and on society. During the year, the Organization received government assistance towards providing relief during mandated lockdowns.

The Organization recognized government assistance as follows:

	2020	2019
Canada Emergency Wage Subsidy	\$ 196,602	\$ -
Canada Emergency Rent Subsidy	<u>7,784</u>	<u>-</u>
	<u>\$ 204,386</u>	<u>\$ -</u>

As of December 31, 2020, \$17,507 of government assistance was included in accounts receivable.

8. ALLOCATION OF GENERAL SUPPORT EXPENDITURES

During the year, administrative salaries and benefits totaling \$129,405 (2019 - \$145,392) were allocated among various activities as follows:

	2020	2019
Development	\$ 95,351	\$ 107,131
Celebration, communication and web	<u>34,054</u>	<u>38,261</u>
	<u>\$ 129,405</u>	<u>\$ 145,392</u>

9. COMMITMENTS

The Association leases premises within the Mattamy National Cycling Centre in Milton Ontario under a lease agreement which expired on October 31, 2019. The Association continues to rent the premises on a monthly basis at approximately \$4,880 until such time as a new lease is agreed to by both parties.

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

10. COVID-19 AND RELATED GOVERNMENT ASSISTANCE

On March 11, 2020, The World Health Organization declared the outbreak of novel coronavirus (COVID-19) a pandemic. In an effort to control the spread of the virus, the Ontario government placed societal restrictions on group gatherings and implemented other physical distancing mandates which have significantly impacted the Organization's operations throughout the year. The Organization has taken steps to mitigate the financial impact of the pandemic including taking advantage of government emergency assistance as described in Notes 5 and 7. The pandemic and its effects continue to cause uncertainty regarding the Organization's future cash flows and continued social distancing measures could impact future operations. As at the date of the independent auditor's report, it is impracticable for the Organization to quantify this impact on the results of operations for the subsequent year.

11. 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, 2020:

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, 2020. 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 and CEBA loan payable. 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.

ONTARIO CYCLING ASSOCIATION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

11. FINANCIAL INSTRUMENTS - Continued

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, 2020, the Association held cash of \$Nil (2019 – \$4,228 USD) which has been converted into equivalent Canadian dollars at the exchange rate in effect at the year end. Foreign exchange gains or losses are included in the excess of revenues over expenses. The exposure to this risk changes as the transaction amounts change and as the exchange rate fluctuates. The average U.S. exchange rate for 2020 was 1.2732 (2019 - 1.327).