

CANADIAN CYCLING ASSOCIATION

FINANCIAL STATEMENTS

MARCH 31, 2012



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 statement of financial position as at March 31, 2012, and the statements of changes in net assets, operations 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 generally accepted accounting principles, 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 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, 2012, and the results its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

OHCD LLP.

OUSELEY HANVEY CLIPSHAM DEEP LLP
Licensed Public Accountants

Ottawa, Ontario
September 12, 2012

CANADIAN CYCLING ASSOCIATION

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2012

	2012	2011
CURRENT ASSETS		
Cash	\$ 158,858	\$ 101,968
Bank treasury deposit (note 3)	50,000	49,993
Accounts receivable	279,873	319,519
Inventory	58,687	16,791
Prepaid expenses	243,164	163,794
	<u>790,582</u>	<u>652,065</u>
CAPITAL ASSETS (note 2)	<u>333,103</u>	<u>331,524</u>
	<u>\$ 1,123,685</u>	<u>\$ 983,589</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 366,385	\$ 324,041
Deferred revenue (note 4)	88,302	12,392
	<u>454,687</u>	<u>336,433</u>
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (note 5)	<u>223,904</u>	<u>242,531</u>
	<u>678,591</u>	<u>578,964</u>
NET ASSETS		
Invested in capital assets	109,199	88,993
Unrestricted net assets	335,895	315,632
	<u>445,094</u>	<u>404,625</u>
	<u>\$ 1,123,685</u>	<u>\$ 983,589</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, 2012

	2012	2011
NET ASSETS INVESTED IN CAPITAL ASSETS		
Balance beginning of year	\$ 88,993	\$ 69,834
Amortization of capital assets	(117,049)	(92,356)
Acquisition of capital assets	118,628	230,468
Deferred funding of capital assets	(106,178)	(224,764)
Amortization of deferred funding	124,805	99,672
Repayment of long term debt	-	6,139
BALANCE END OF YEAR	\$ 109,199	\$ 88,993
UNRESTRICTED NET ASSETS		
Balance beginning of year	\$ 315,632	\$ 288,915
Net revenue for the year	40,469	45,876
Change related to capital assets	(20,206)	(19,159)
BALANCE END OF YEAR	\$ 335,895	\$ 315,632

CANADIAN CYCLING ASSOCIATION

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
REVENUE		
Sport Canada	\$ 956,500	\$ 995,600
Own the Podium	2,437,137	1,796,028
Canadian Olympic Committee	339,000	202,852
Insurance recoveries	357,782	383,876
Sponsorships	126,678	82,591
International hosting	389,998	519,997
Affiliation fees	226,357	219,533
Athlete contributions	259,006	265,512
Donations	307,650	86,683
Coaching Association of Canada	26,693	29,802
Doping recovery	32,802	18,681
Calendar fees	9,950	16,004
Rider levies	4,059	4,900
Other	196,646	212,792
	5,670,258	4,834,851
EXPENSE		
Senior national team	2,211,978	1,651,543
Salary and benefits - staff	771,519	708,097
Salary and benefits - coaches	563,080	456,523
Insurance	380,342	406,154
International competitions	419,927	544,408
Administration	354,429	354,483
National team - other	276,698	213,830
Meetings	124,596	103,785
National competitions	79,168	89,296
Leadership development	50,596	56,773
Athlete development	200,268	76,679
Sport participation / development	36,516	19,947
Advertising and promotion	160,672	107,457
	5,629,789	4,788,975
NET REVENUE FOR THE YEAR	\$ 40,469	\$ 45,876

CANADIAN CYCLING ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
Net revenue for the year	\$ 40,469	\$ 45,876
Non cash items:		
amortization of capital assets	117,049	92,356
amortization of deferred funding	(124,805)	(99,672)
Changes in non cash working capital items:		
Accounts receivable	39,646	(118,567)
Inventories	(41,896)	(16,648)
Prepaid expenses	(79,377)	(49,436)
Accounts payable	42,344	141,603
Deferred revenue	182,088	215,996
	<u>175,518</u>	<u>211,508</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(118,628)	(230,468)
FINANCING ACTIVITIES		
Repayment of long term debt	-	(6,139)
Increase (decrease) in cash for the year	56,890	(25,099)
CASH BEGINNING OF YEAR	<u>101,968</u>	<u>127,067</u>
CASH END OF YEAR	<u>\$ 158,858</u>	<u>\$ 101,968</u>

CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

a) Organization

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.

b) 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.

c) 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.

d) 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
Athletic equipment	33.3% declining balance basis
Event equipment	33.3% declining balance basis
Leasehold improvements	10% declining balance basis
Para equipment	33.3% declining balance basis

e) Inventory

Inventory is recorded at the lower of cost and net realizable value.

CANADIAN CYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Use of estimates

The preparation of financial statements in conformance with Canadian generally accepted accounting principles 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 revenue 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 they become known.

g) Financial instruments

Financial instruments are recorded at the initially recognized amount less appropriate allowances. 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, or credit risks arising from these financial instruments and the carrying amounts of the financial instruments approximate fair value.

2. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2012	Net Book Value 2011
Automotive equipment	\$ 109,415	\$ 53,089	\$ 56,326	\$ 56,760
Furniture and fixtures	27,081	24,940	2,141	2,447
Computer equipment	74,068	48,309	25,759	18,191
National team equipment	517,055	370,162	146,893	152,257
Para equipment	181,761	93,787	87,974	82,514
Athletic equipment	2,500	2,263	237	355
Event equipment	40,866	31,367	9,499	14,251
Leasehold improvements	8,465	4,191	4,274	4,749
	<u>\$ 961,211</u>	<u>\$ 628,108</u>	<u>\$ 333,103</u>	<u>\$ 331,524</u>

3. BANK INDEBTEDNESS

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, 2012

4. DEFERRED REVENUE

	2012		2011	
Self funded	\$	15,302	\$	10,510
Affiliation fees		-		1,882
Canadian Olympic Committee 2013FY funding		73,000		-
	\$	88,302	\$	12,392

5. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Contribution		Accumulated Amortization		2012		2011	
Contributions related to National and Para team equipment	\$	760,278	\$	536,374	\$	223,904	\$	242,531

Contributions related to national and para team equipment and accumulated amortization as at March 31, 2011 amounted to \$654,100 and \$411,569 respectively. During the year Sport Canada contributed \$106,178 to fund the purchase of equipment which was classified as capital assets (\$224,764 in 2011). This funding has been deferred and will be 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, 2015. Annual rent and operating costs approximate \$65,000.

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.

8. CAPITAL DISCLOSURE

The Association defines its capital as its net assets, which are not subject to external requirements. Management's objective, when managing capital, is to safeguard the Association's ability to continue as a going concern, so that it can continue to provide services in accordance with its mission.