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**ONTARIO CYCLING ASSOCIATION  
INCORPORATED**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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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, 2016 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, 2016 and its financial performance 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 12, 2017

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## STATEMENT OF FINANCIAL POSITION

As at December 31,

2016

2015

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### ASSETS

#### Current

Cash and cash equivalents	\$ 311,923	\$ 364,303
Restricted cash (Note 2)	32,351	40,860
Accounts receivable	82,778	48,529
Inventories	7,927	3,412
Prepaid expenses	30,269	12,301
	<u>\$ 465,248</u>	<u>\$ 469,405</u>

#### Capital Assets (Note 3)

	<u>59,354</u>	<u>84,595</u>
	<u>\$ 524,602</u>	<u>\$ 554,000</u>

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### LIABILITIES

#### Current

Accounts payable and accrued liabilities	\$ 21,541	\$ 86,440
Government remittances payable	7,232	2,554
Deferred revenues and grants (Note 4)	277,026	216,890
	<u>\$ 305,799</u>	<u>\$ 305,884</u>

#### NET ASSETS (Note 5)

Unrestricted	\$ 159,449	\$ 163,521
Funds Invested in Capital Assets	59,354	84,595
	<u>\$ 218,803</u>	<u>\$ 248,116</u>
	<u>\$ 524,602</u>	<u>\$ 554,000</u>

#### Contingent Liabilities (Note 7)

#### Commitments (Note 8)

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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,	2016	2015
<b>REVENUES</b>		
Membership	\$ 799,704	\$ 761,297
External grants and funding	521,633	488,559
Development	162,571	140,786
High performance	113,586	93,220
Insurance fees	33,118	24,499
Other	27,293	22,443
Charitable gaming	8,506	3,390
Cycling celebration, advertising	6,887	15,008
Online service	-	11,259
Gifts-in-kind	-	5,639
	<b>\$ 1,673,298</b>	<b>\$ 1,566,100</b>
<b>EXPENSES</b>		
High performance	\$ 489,533	\$ 485,995
Insurance costs	357,933	312,028
Administration	261,989	239,152
Development	211,541	189,117
Office	161,033	129,693
Trillium	64,719	34,045
CCA affiliation	63,997	62,372
Celebration, communication and web	41,392	42,289
Charitable gaming	8,889	7,186
Club expense	5,392	315
Board of directors	3,248	6,560
Other	-	3,846
	<b>\$ 1,669,666</b>	<b>\$ 1,512,598</b>
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE THE FOLLOWING:</b>	<b>\$ 3,632</b>	<b>\$ 53,502</b>
Amortization	32,945	30,746
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ (29,313)</b>	<b>\$ 22,756</b>
<b>NET ASSETS - Beginning</b>	<b>248,116</b>	<b>225,360</b>
<b>NET ASSETS - Ending</b>	<b>\$ 218,803</b>	<b>\$ 248,116</b>

See accompanying notes

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## STATEMENT OF CASH FLOWS

For the year ended December 31,

2016

2015

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

#### OPERATING ACTIVITIES

Excess (deficiency) of revenues over expenses	\$ (29,313)	\$ 22,756
Items not affecting cash:		
Gifts-in-kind	-	(5,639)
Amortization	<u>32,945</u>	<u>30,746</u>
	\$ 3,632	\$ 47,863

#### Net change in non-cash working capital balances:

Restricted cash	8,509	3,390
Accounts receivable	(34,249)	30,390
Inventories	(4,515)	1,415
Prepaid expenses	(17,968)	(1,609)
Accounts payable and accrued liabilities	(64,900)	45,794
Government remittances payable	4,678	2,554
Deferred revenues and grants	<u>60,136</u>	<u>124,309</u>
	\$ (44,677)	\$ 254,106

#### INVESTING ACTIVITIES

Purchase of capital assets:		
Computer equipment	\$ (4,657)	\$ (9,266)
Office equipment	(1,497)	(32,005)
Automotive equipment	(940)	(1,672)
Cycling equipment	-	(13,813)
Website development costs	-	(2,722)
Leasehold improvements	<u>(609)</u>	<u>(10,961)</u>
	\$ (7,703)	\$ (70,439)

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** \$ (52,380) \$ 183,667

**CASH AND CASH EQUIVALENTS - Beginning** 364,303 180,636

**CASH AND CASH EQUIVALENTS - Ending** \$ 311,923 \$ 364,303

#### SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents consist of the following:

Cash	\$ 229,072	\$ 281,922
Guaranteed investment certificates	<u>82,851</u>	<u>82,381</u>
	<u>\$ 311,923</u>	<u>\$ 364,303</u>

See accompanying notes

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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 are 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.

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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 resigned 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.

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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:

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 16,894	\$ 10,284	\$ 6,610	\$ 7,186
Office equipment	44,568	21,271	23,297	31,463
Automotive equipment	34,654	17,552	17,102	23,290
Cycling Equipment	19,452	12,969	6,483	12,967
Website development costs	10,961	7,308	3,653	7,307
Leasehold Improvement	3,331	1,122	2,209	2,382
	<u>\$ 129,860</u>	<u>\$ 70,506</u>	<u>\$ 59,354</u>	<u>\$ 84,595</u>

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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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	2016 Net	2015 Net
Balance - Beginning	\$ 163,753	\$ 12,277	\$ 40,860	\$ 216,890	\$ 92,581
Monies received	\$ 556,353	\$ 1,310	\$ -	\$ 557,663	\$ 575,957
Revenue - recognized	485,768	3,250	8,509	497,527	451,648
	<u>\$ 70,585</u>	<u>\$ (1,940)</u>	<u>\$ (8,509)</u>	<u>\$ 60,136</u>	<u>\$ 124,309</u>
Balance - Ending	<u>\$ 234,338</u>	<u>\$ 10,337</u>	<u>\$ 32,351</u>	<u>\$ 277,026</u>	<u>\$ 216,890</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:

	2016		2015	
	Capital Assets	Unrestricted	Net Book Value	Net Book Value
Balance - Beginning	\$ 84,595	\$ 163,521	\$ 248,116	\$ 225,360
Earnings before undernoted items	-	3,632	3,632	53,502
Amortization	(32,945)	-	(32,945)	(30,746)
Transfers	7,704	(7,704)	-	-
Balance - Ending	<u>\$ 59,354</u>	<u>\$ 159,449</u>	<u>\$ 218,803</u>	<u>\$ 248,116</u>

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 6. ALLOCATION OF GENERAL SUPPORT EXPENDITURES

During the year, administrative salaries and benefits totaling \$125,519 (2015 - \$162,450) were reallocated among various activities as follows:

	2016	2015
Development	\$ 92,488	\$ 79,800
Celebration, communication and web	33,031	28,500
Trillium	-	34,045
	<u>\$ 125,519</u>	<u>\$ 142,345</u>

### 7. CONTINGENT LIABILITIES

- a) The Association is contingently liable for the repayment of all or a portion of the grants and charitable gaming receipts received for certain expenditures should it not use the monies for the agreed upon purposes as set out in the terms of the respective agreements. The amount of any such repayments is not currently anticipated or determinable. In the event of repayment of any such monies, any repayment will be recorded if and when it becomes anticipated and determinable.
- b) The Association, along with three other organizations, has been named in two separate actions before the Human Rights Tribunal. The applications are seeking, among other things, monetary compensation in the amount of \$168,400 jointly and severally against the respondents. Management has not determined the likelihood of loss at this time and is of the opinion that the applications have no merit. Accordingly, only estimated legal fees were accrued as at December 31, 2016.

### 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:

2017	\$ 56,487
2018	57,617
2019	<u>48,812</u>
	<u>\$ 162,916</u>

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# ONTARIO CYCLING ASSOCIATION INCORPORATED

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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, 2016:

#### 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 risks relate to its accounts receivable. The Association provides credit to its clients in the normal course of operations. There were no concentrations of credit risk as at December 31, 2016. 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, 2016, cash totaling approximately \$2,600 (2015 – \$18,900) 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 2016 was 1.32 (2015 - 1.28).