

SASKATCHEWAN CYCLING ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2017

Draft

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Members of
Saskatchewan Cycling Association

Management has responsibility for preparing the accompanying financial statements and ensuring that all information on any related reports is consistent with the financial statements. This responsibility includes selecting appropriate accounting policies and making objective judgements and estimates in accordance with Canadian accounting standards for not-for-profit organizations.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded, and proper records maintained.

Ultimate responsibility for financial statements to members lies with the Board of Directors.

Marcia Herback & Associates Chartered Professional Accountants Professional Corporation, an independent firm, has been appointed by the members to audit the financial statements and report to them; their report follows. The independent auditor has full and free access to the Board and management to discuss their audit findings as to the integrity of the organization's financial reporting and the adequacy of the system of internal controls.

President

Treasurer

INDEPENDENT AUDITOR'S REPORT

To the Members of
Saskatchewan Cycling Association

I have audited the accompanying financial statements of Saskatchewan Cycling Association, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, statement of net assets and statement of 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

In common with many non-profit organizations, Saskatchewan Cycling Association derives part of its revenue from membership fees, donations and other fundraising activities, the completeness and classification of which are not susceptible to satisfactory audit verification. Accordingly my verification of these transactions was limited to accounting for the amounts recorded in the records of the Association and I was not able to determine whether any adjustments might be necessary to the revenues, statement of operations, assets and net assets.

Qualified Opinion

In my opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Cycling Association as at December 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Regina, Saskatchewan

Marcia Herback
CPA, CA

SASKATCHEWAN CYCLING ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017
(with comparative figures for 2016)

| | 2017 | 2016 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 501,263 | \$ 523,866 |
| GST receivable | 3,073 | 4,108 |
| Inventory | 23,541 | 9,598 |
| Prepaid expenses | <u>6,262</u> | <u>2,910</u> |
| | 534,139 | 540,482 |
| Investment in Sport Legacy Fund (Note 3) | <u>189</u> | <u>180</u> |
| | <u>\$ 534,328</u> | <u>\$ 540,662</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 25,906 | \$ 37,141 |
| Deferred grant revenue (Note 4) | <u>119,131</u> | <u>106,000</u> |
| | <u>145,037</u> | <u>143,141</u> |
| Long-term liabilities | | |
| Deferred Sport Legacy Fund revenue (Note 3) | <u>189</u> | <u>180</u> |
| NET ASSETS | | |
| General fund | 347,143 | 355,725 |
| Restricted fund (Note 5) | <u>41,959</u> | <u>41,616</u> |
| | <u>389,102</u> | <u>397,341</u> |
| | <u>\$ 534,328</u> | <u>\$ 540,662</u> |

See accompanying notes

Approved on Behalf of the Board

_____ Director

_____ Director

SASKATCHEWAN CYCLING ASSOCIATION
STATEMENT OF OPERATIONS AND CUMULATIVE SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

| | 2017 | 2016 |
|--|-------------------|--------------------|
| Revenue | | |
| Sask Lotteries Trust Fund (Schedule 1) | \$ 228,288 | \$ 239,700 |
| Self Help revenue (Schedule 2) | <u>109,280</u> | <u>112,146</u> |
| | <u>337,568</u> | <u>351,846</u> |
| Expenditure | | |
| Administration (Schedule 3) | 114,787 | 115,649 |
| Capacity/Interaction (Schedule 4) | 11,507 | 14,466 |
| Categorical grants (Schedule 5) | 18,900 | 34,790 |
| Excellence (Schedule 6) | 100,884 | 179,365 |
| Miscellaneous (Schedule 7) | 18,227 | 10,601 |
| Participation (Schedule 8) | <u>81,502</u> | <u>44,255</u> |
| | <u>345,807</u> | <u>399,126</u> |
| Excess (deficiency) of revenues over expenses | <u>\$ (8,239)</u> | <u>\$ (47,280)</u> |

See accompanying notes

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**SASKATCHEWAN CYCLING ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)**

| | <u>General fund</u> | <u>Restricted fund</u> | <u>2017</u> | <u>2016</u> |
|---|-------------------------|----------------------------|-------------------|-------------------|
| Net Assets | | | | |
| Balance, beginning of year | \$ 355,725 | 41,616 | \$ 397,341 | \$ 444,621 |
| Excess (deficiency) of revenues over expenditures | (8,582) | 343 | (8,239) | (47,280) |
| Transfer between funds | - | - | - | - |
| Balance, end of year | <u>\$ 347,143</u> | <u>41,959</u> | <u>\$ 389,102</u> | <u>\$ 397,341</u> |

See accompanying notes

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SASKATCHEWAN CYCLING ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Operating activities | | |
| Excess (deficiency) of revenues over expenses | \$ (8,239) | \$ (47,280) |
| Accounts receivable | | 32,897 |
| GST receivable | 1,035 | (465) |
| Inventory | (13,943) | (5,816) |
| Prepaid expenses | (3,352) | 6,127 |
| Accounts payable and accrued liabilities | (11,235) | 15,611 |
| Deferred revenue | <u>13,131</u> | <u>83,500</u> |
| Cash provided by (used in) operating activities | <u>(22,603)</u> | <u>84,574</u> |
| Investing activities | | |
| Additions to investments in Sports Legacy fund | (9) | (171) |
| Changes in long-term deferred Sport Legacy Fund revenue | <u>9</u> | <u>171</u> |
| Cash provided by investing activities | <u>-</u> | <u>-</u> |
| Increase (decrease) in cash | (22,603) | 84,574 |
| Cash position, beginning of year | <u>523,866</u> | <u>439,292</u> |
| Cash position, end of year | <u>\$ 501,263</u> | <u>\$ 523,866</u> |

See accompanying notes

**SASKATCHEWAN CYCLING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. Status and nature of activities

Saskatchewan Cycling Association is incorporated under the Non-Profit Corporations Act of Saskatchewan. Under present legislation, no income taxes are payable on the reported income of such operations.

2. Summary of significant accounting policies

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

Inventory

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

Capital assets

Capital assets are expensed in the year of purchase, therefore, no amortization is reflected in the accompanying financial statements. During the year capital assets of \$40,179 (2016 - \$3,043) were recorded as expenditure.

Revenue Recognition

Grants from Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation are received out of the net proceeds of lottery ticket sales in Saskatchewan. These grants have been recorded as revenue by Saskatchewan Cycling Association as approved by Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreations. Accordingly, amounts received that relate to the next fiscal period are shown as deferred revenue.

Unrestricted contributions are recognized as revenue when they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Interest is recognized as revenue when it is earned.

Financial instruments

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

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

Management estimates

The preparation of the 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 at the date of the financial statements and the reported amount of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**SASKATCHEWAN CYCLING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

3. Sport Legacy Fund

The funds on deposit and the offsetting deferred revenue from the Sport Legacy Fund consists of donations based on various programs and top-up contributions made by Sask Sport Inc. To qualify for the additional top-up contributions made by Sask Sport Inc., the Association is required to leave the original amount of donation in the Legacy Fund for a minimum of 5 years.

4. Deferred grant revenue

Deferred income represents unspent resources externally restricted for specific purposes. The amounts deferred at year end as follows:

| | <u>2017</u> | <u>2016</u> |
|----------------------------|-------------------|-------------------|
| Annual Funding | \$ 89,750 | \$ 87,100 |
| MAP grant | 23,300 | 18,900 |
| 2018 Arizona trip fees | 6,006 | - |
| 2018 Club affiliation fees | 75 | - |
| | <u>\$ 119,131</u> | <u>\$ 106,000</u> |

5. Restricted fund

The Board has designated that an amount equal to revenue from van rentals be appropriated to a restricted fund called the Van Replacement Reserve. Activity in the reserve was as follows:

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|------------------|------------------|
| Balance, beginning of the year | \$ 41,616 | \$ 36,616 |
| Van rental revenue appropriation | 343 | - |
| Board motion appropriation | - | 5,000 |
| Balance, end of year | <u>\$ 41,959</u> | <u>\$ 41,616</u> |

6. Economic dependence

Saskatchewan Cycling Association receives significant revenue in grants from Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. As a result, the Association is dependent upon the continuance of these grants to maintain operations at their current level.

7. Financial instruments

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

Credit risk

Credit risk arises from the potential that a party may default on their financial obligations, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Association could incur a financial loss. The Association is exposed to credit risk with respect to cash and accounts receivable. The Association manages its credit risk by placing cash with major financial institutions. Credit risk for accounts receivable is managed by the credit quality and diverse debtor base and creating an allowance for bad debts where applicable. There has been no change from credit risk exposure from 2016.

Liquidity risk

Liquidity risk is the risk that the Association may not be able to meet a demand for cash or fund its obligations as they come due or not being able to liquidate assets in a timely manner at a reasonable price. The Association is exposed to liquidity risk with respect to its accounts payable and accrued liabilities but manages its liquidity risk by holding assets that can be readily converted into cash. There has been no change from liquidity risk exposure from 2016.

**SASKATCHEWAN CYCLING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

7. Financial instruments cont'd

Interest rate risk

Interest rate risk is a type of market risk that refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Association is exposed to interest rate risk with respect to its cash and its effect on interest income. Fluctuations in interest rates do not have a significant effect on cash due to the fact that interest income is not a major percentage of total revenue. There has been no change from interest risk exposure from 2016.

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**SASKATCHEWAN CYCLING ASSOCIATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)**

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Saskatchewan Lotteries Trust Fund | | Schedule 1 |
| Annual funding | \$ 174,200 | \$ 169,100 |
| HP coaching capacity | 35,188 | 42,400 |
| MAP | 18,900 | 18,500 |
| Saskatchewan Sport Adaptive Sport Equipment grant | - | 9,700 |
| | <u>\$ 228,288</u> | <u>\$ 239,700</u> |
| Self Help | | Schedule 2 |
| National Trails Coalition grant | \$ - | \$ 528 |
| Memberships | 68,570 | 61,629 |
| R & T Tour | 22,500 | 21,100 |
| Athlete Fees | 1,288 | 5,752 |
| Fundraising | 5,372 | 2,571 |
| Clinic/presentation revenue | 380 | 3,030 |
| Miscellaneous income | 40 | 31 |
| Team tour fees | 5,958 | 11,002 |
| Interest income | 2,639 | 2,456 |
| Jersey sales | 2,190 | 4,047 |
| Van rental revenue | 343 | - |
| | <u>\$ 109,280</u> | <u>\$ 112,146</u> |

**SASKATCHEWAN CYCLING ASSOCIATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)**

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Administration | | |
| | | Schedule 3 |
| Accounting fees | \$ 4,479 | \$ 4,418 |
| CCA insurance | 28,265 | 28,569 |
| Interest and bank charges | 6,020 | 5,934 |
| Office operations | 4,825 | 5,270 |
| Rent | 6,303 | 5,851 |
| Salaries and wages | 64,895 | 65,607 |
| | <u>\$ 114,787</u> | <u>\$ 115,649</u> |
| Capacity/Interaction | | |
| | | Schedule 4 |
| Advertising and promotion | \$ 4,663 | \$ 3,109 |
| CCA annual general meeting | 1,307 | 444 |
| Club development | 1,000 | 535 |
| Internet/communications | 519 | 462 |
| Long range planning | - | 6,149 |
| Meetings | 1,136 | 651 |
| Newsletter and magazine | 892 | 1,620 |
| Other affiliation | 141 | 141 |
| Sask Sport annual general meeting | 59 | - |
| SCA annual general meeting | 804 | 582 |
| Standing committee | 533 | 232 |
| Volunteer/staff recognition | 453 | 541 |
| | <u>\$ 11,507</u> | <u>\$ 14,466</u> |
| Categorical grants | | |
| | | Schedule 5 |
| MAP grant (Schedule 9) | \$ 18,900 | \$ 18,500 |
| National Trails Coalition grant | - | 2,102 |
| Sask Sport Adaptive Sport Equipment grant | - | 14,188 |
| | <u>\$ 18,900</u> | <u>\$ 34,790</u> |
| Excellence | | |
| | | Schedule 6 |
| Athlete assistance | \$ 4,900 | \$ 4,420 |
| Athlete development | 32,826 | 46,985 |
| Officials development | 139 | - |
| Provincial coach expense | 7,290 | 23,955 |
| Provincial coach wages/contract | 52,782 | 96,938 |
| Van license/insurance | 1,462 | 1,395 |
| Van repair | 1,485 | 5,672 |
| | <u>\$ 100,884</u> | <u>\$ 179,365</u> |

**SASKATCHEWAN CYCLING ASSOCIATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with comparative figures for 2016)**

| | 2017 | 2016 |
|---------------------------------------|------------------|-------------------|
| Miscellaneous | | |
| | | Schedule 7 |
| Buffalo Pound trails maintenance | \$ - | \$ 989 |
| CCA affiliation | 4,977 | 4,987 |
| Clothing for resale | <u>13,250</u> | <u>4,625</u> |
| | <u>\$ 18,227</u> | <u>\$ 10,601</u> |
| Participation | | |
| | | Schedule 8 |
| Coaches development | \$ 194 | \$ 1,217 |
| Competitions | 53,050 | 14,666 |
| Intro/participation programs | 25,776 | 22,204 |
| Officials development | <u>2,482</u> | <u>6,168</u> |
| | <u>\$ 81,502</u> | <u>\$ 44,255</u> |
| Membership Assistance Payments | | |
| | | Schedule 9 |
| 13th Ave BMX | \$ 890 | \$ 443 |
| BCW Cycling Club | 2,262 | 1,772 |
| Cycledelia Road Racing Club | 904 | 708 |
| East Qu'Appelle Cartel | - | 535 |
| Flatlanders Bicycle Club | 597 | - |
| Globe BMX | 1,446 | 1,344 |
| Horizon 100 Cycling Club | 1,755 | 1,505 |
| Moose Jaw Pavers | 1,127 | 780 |
| Northern Bush Rastas | 1,505 | 1,674 |
| OffRoad Syndicate | 1,521 | 1,051 |
| Pedal Wenches | 554 | - |
| Prairie Randonneurs | 558 | 258 |
| Regina Cycle Club | - | 829 |
| Rock'n'Road Cycle Club | 842 | 490 |
| Saskatoon Cycling Club | 526 | 237 |
| South Sask. Mountain Bike Club | 288 | 188 |
| Spoke N Hot Club | 2,031 | 4,661 |
| Spokes Men Masters Club | 1,331 | 1,671 |
| Wascana Free Wheelers | <u>763</u> | <u>354</u> |
| | <u>\$ 18,900</u> | <u>\$ 18,500</u> |