

SASKATCHEWAN CYCLING ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018

Draft

INDEPENDENT AUDITOR'S REPORT

To the Members of
Saskatchewan Cycling Association

Qualified Opinion

I have audited the accompanying financial statements of Saskatchewan Cycling Association (the Entity), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, statement of 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 and other explanatory information.

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, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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

My 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 my 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. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

Regina, Saskatchewan

Marcia Herback
CPA, CA

SASKATCHEWAN CYCLING ASSOCIATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
(with comparative figures for 2017)

	2018	2017
ASSETS		
Current assets		
Cash	\$ 426,136	\$ 501,263
GST receivable	3,345	3,073
Inventory	24,076	23,541
Prepaid expenses	<u>5,656</u>	<u>6,262</u>
	459,213	534,139
Investment in Sport Legacy Fund (Note 3)	<u>199</u>	<u>189</u>
	<u>\$ 459,412</u>	<u>\$ 534,328</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 18,097	\$ 25,904
Deferred grant revenue (Note 4)	<u>118,585</u>	<u>119,131</u>
	136,682	145,035
Long-term liabilities		
Deferred Sport Legacy Fund revenue (Note 3)	<u>199</u>	<u>189</u>
	<u>136,881</u>	<u>145,224</u>
NET ASSETS		
General fund	322,531	347,145
Restricted fund (Note 5)	<u>-</u>	<u>41,959</u>
	<u>322,531</u>	<u>389,104</u>
	<u>\$ 459,412</u>	<u>\$ 534,328</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, 2018
(with comparative figures for 2017)

	2018	2017
Revenue		
Sask Lotteries Trust Fund (Schedule 1)	\$ 202,800	\$ 228,288
Self Help revenue (Schedule 2)	<u>134,461</u>	<u>109,280</u>
	<u>337,261</u>	<u>337,568</u>
Expenditure		
Administration (Schedule 3)	127,090	114,786
Capacity/Interaction (Schedule 4)	10,051	11,507
Categorical grants (Schedule 5)	33,411	18,900
Excellence (Schedule 6)	176,375	100,883
Miscellaneous (Schedule 7)	12,451	18,227
Participation (Schedule 8)	<u>44,456</u>	<u>81,502</u>
	<u>403,834</u>	<u>345,805</u>
Excess (deficiency) of revenues over expenses	<u>\$ (66,573)</u>	<u>\$ (8,237)</u>

See accompanying notes

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**SASKATCHEWAN CYCLING ASSOCIATION
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative figures for 2017)**

	<u>General fund</u>	<u>Restricted fund</u>	<u>2018</u>	<u>2017</u>
Net Assets				
Balance, beginning of year	\$ 347,145	41,959	\$ 389,104	\$ 397,341
Excess (deficiency) of revenues over expenditures	(7,706)	(58,867)	(66,573)	(8,237)
Transfer between funds	<u>(16,908)</u>	<u>16,908</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 322,531</u>	<u>-</u>	<u>\$ 322,531</u>	<u>\$ 389,104</u>

See accompanying notes

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**SASKATCHEWAN CYCLING ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative figures for 2017)**

	2018	2017
Operating activities		
Excess (deficiency) of revenues over expenses	\$ (66,573)	\$ (8,237)
GST receivable	(272)	1,035
Inventory	(535)	(13,943)
Prepaid expenses	606	(3,352)
Accounts payable and accrued liabilities	(7,807)	(11,237)
Deferred revenue	<u>(546)</u>	<u>13,131</u>
Cash used in operating activities	<u>(75,127)</u>	<u>(22,603)</u>
Investing activities		
Additions to investments in Sports Legacy fund	(10)	(171)
Changes in long-term deferred Sport Legacy Fund revenue	<u>10</u>	<u>171</u>
Cash provided by investing activities	<u>-</u>	<u>-</u>
Decrease in cash	(75,127)	(22,603)
Cash position, beginning of year	<u>501,263</u>	<u>523,866</u>
Cash position, end of year	<u>\$ 426,136</u>	<u>\$ 501,263</u>

See accompanying notes

**SASKATCHEWAN CYCLING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 \$61,036 (2017 - \$40,179) 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, 2018**

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>2018</u>	<u>2017</u>
Annual Funding	\$ 92,450	\$ 89,750
MAP grant	26,000	23,300
2018 Arizona trip fees	-	6,006
2019 Club affiliation fees	85	75
2019 Membership fees	50	-
	<u>\$ 118,585</u>	<u>\$ 119,131</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>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ 41,959	\$ 41,616
Van rental revenue appropriation	68	343
Van expense appropriation	(58,935)	-
Board motion appropriation	16,908	-
Balance, end of year	<u>\$ -</u>	<u>\$ 41,959</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, 2018:

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 2017.

**SASKATCHEWAN CYCLING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. Financial instruments cont'd

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 2017.

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 2017.

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**SASKATCHEWAN CYCLING ASSOCIATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative figures for 2017)**

	2018	2017
Saskatchewan Lotteries Trust Fund		Schedule 1
Annual funding	\$ 179,500	\$ 174,200
HP coaching capacity	-	35,188
MAP	<u>23,300</u>	<u>18,900</u>
	<u>\$ 202,800</u>	<u>\$ 228,288</u>
Self Help		Schedule 2
Memberships	\$ 70,207	\$ 68,570
R & T Tour	34,999	22,500
Athlete Fees	1,388	1,288
Fundraising	1,603	5,372
Clinic/presentation revenue	3,022	380
Future Best grant	3,000	-
Miscellaneous income	1,638	40
Team tour fees	6,709	5,958
Interest income	4,055	2,639
Jersey sales	3,562	2,190
Jeux Canada Games grant	3,710	-
Sponsorships	500	-
Van rental revenue	<u>68</u>	<u>343</u>
	<u>\$ 134,461</u>	<u>\$ 109,280</u>

**SASKATCHEWAN CYCLING ASSOCIATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative figures for 2017)**

	2018	2017
Administration		
		Schedule 3
Accounting fees	\$ 4,259	\$ 4,479
CCA insurance	31,043	28,265
Interest and bank charges	6,901	6,020
Office operations	3,775	4,824
Rent	7,020	6,303
Salaries and wages	<u>74,092</u>	<u>64,895</u>
	<u>\$ 127,090</u>	<u>\$ 114,786</u>
Capacity/Interaction		
		Schedule 4
Advertising and promotion	\$ 2,895	\$ 4,663
CCA annual general meeting	2,243	1,307
Club development	550	1,000
Internet/communications	520	519
Meetings	844	1,136
Newsletter and magazine	1,261	892
Other affiliation	156	141
Sask Sport annual general meeting	59	59
SCA annual general meeting	389	804
Standing committee	480	533
Volunteer/staff recognition	<u>654</u>	<u>453</u>
	<u>\$ 10,051</u>	<u>\$ 11,507</u>
Categorical grants		
		Schedule 5
Future Best grant	\$ 3,000	\$ -
Jeux Canada Games grant	3,710	-
MAP grant (Schedule 9)	<u>26,701</u>	<u>18,900</u>
	<u>\$ 33,411</u>	<u>\$ 18,900</u>
Excellence		
		Schedule 6
Athlete assistance	\$ 4,700	\$ 4,900
Athlete development	32,967	32,826
Coaching development	2,129	-
Officials development	-	139
Provincial coach expense	4,815	7,290
Provincial coach wages/contract	64,328	52,781
Van license/insurance	1,856	1,462
Van and trailer purchase	63,804	-
Van repair	<u>1,776</u>	<u>1,485</u>
	<u>\$ 176,375</u>	<u>\$ 100,883</u>

**SASKATCHEWAN CYCLING ASSOCIATION
SCHEDULES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with comparative figures for 2017)**

	2018	2017
Miscellaneous		
		Schedule 7
Buffalo Pound trails maintenance	\$ 1,535	\$ -
CCA affiliation	5,021	4,977
Clothing for resale	5,895	13,250
	<u>\$ 12,451</u>	<u>\$ 18,227</u>
Participation		
		Schedule 8
Coaches development	\$ 2,541	\$ 194
Competitions	14,954	53,050
Intro/participation programs	25,390	25,776
Officials development	1,571	2,482
	<u>\$ 44,456</u>	<u>\$ 81,502</u>
Membership Assistance Payments		
		Schedule 9
13th Ave BMX	\$ 1,126	\$ 890
BCW Cycling Club	2,654	2,262
Cycledelia Road Racing Club	1,176	904
East Qu'Appelle Cartel	1,166	-
Flatlanders Bicycle Club	902	597
Globe BMX	1,631	1,446
Horizon 100 Cycling Club	1,987	1,755
Moose Jaw Pavers	1,403	1,127
Northern Bush Rastas	1,874	1,505
OffRoad Syndicate	1,682	1,521
Pedal Wenches	-	554
Prairie Randonneurs	984	558
Regina Cycle Club	1,456	-
Rock'n'Road Cycle Club	1,251	842
Saskatoon Cycling Club	946	526
South Sask. Mountain Bike Club	-	288
Spoke N Hot Club	2,363	2,031
Spokes Men Masters Club	1,859	1,331
Swift Current Cycle Club	1,081	-
Wascana Free Wheelers	1,160	763
	<u>\$ 26,701</u>	<u>\$ 18,900</u>