

**MANITOBA CYCLING ASSOCIATION INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2019**

September 30, 2019

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Manitoba Cycling Association Inc.:

#### *Opinion*

We have audited the financial statements of Manitoba Cycling Association Inc. (the Association), which comprise the statement of financial position as at March 31, 2019, and the statement of operations, statement of 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 Association as at March 31, 2019, 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 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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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.

#### *Other Matter*

The financial statements of Manitoba Cycling Association Inc. for the year ended March 31, 2018 were audited by another practitioner who has expressed an unmodified conclusion on these financial statements on July 18, 2018.

#### *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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

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 Association'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 Association'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 Association 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.

*Scarrow & Donald LLP*

Chartered Professional Accountants  
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.

**MANITOBA CYCLING ASSOCIATION INC.**

**Statement of Financial Position**

	<b>As at March 31</b>	
	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 158,415	\$ 157,510
Accounts receivable (Note 3)	64,157	45,947
GST receivable	-	6,831
Inventory	4,194	9,346
Prepaid expenses	<u>9,360</u>	<u>5,586</u>
	236,126	225,220
<b>Restricted cash</b>	# 30,034	29,548
<b>Capital assets (Note 4)</b>	<u>26,988</u>	<u>33,636</u>
	<u>\$ 293,148</u>	<u>\$ 288,404</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 27,402	\$ 36,714
Deferred revenue (Note 5)	65,151	60,866
GST payable	<u>6,648</u>	<u>-</u>
	99,201	97,580
<b>Deferred contributions (Note 6)</b>	<u>7,921</u>	<u>11,085</u>
	107,122	108,665
<b>NET ASSETS</b>		
<b>Invested in capital assets (Note 7)</b>	19,067	22,551
<b>Erick Oland Memorial Fund</b>	679	669
<b>Development fund</b>	15,283	14,018
<b>Asset replacement fund</b>	29,355	28,880
<b>Unrestricted net assets</b>	<u>121,642</u>	<u>113,621</u>
	<u>186,026</u>	<u>179,739</u>
	<u>\$ 293,148</u>	<u>\$ 288,404</u>

Approved by:

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**MANITOBA CYCLING ASSOCIATION INC.**

**Statement of Operations**

	<b>For the Year Ended March 31</b>	
	<u>2019</u>	<u>2018</u>
<b>Revenue:</b>		
Sport Manitoba - Grants	\$ 135,028	\$ 141,900
- Sport program funding	36,300	36,300
Participant fees	114,280	133,670
Membership fees	99,272	97,360
Canada Games legacy grant	93,000	9,758
Sponsorship and fundraising	5,482	24,212
Miscellaneous	4,813	6,312
Amortization of deferred contributions (Note 6)	3,164	3,164
Green Team jobs grant	2,819	-
Sport Medicine Council	-	750
	<u>494,158</u>	<u>453,426</u>
<b>Expenses:</b>		
Salaries and benefits	145,784	177,101
Program expenses	99,496	106,328
Canada Games legacy project	94,222	9,821
GST expense	46,856	-
Insurance	32,682	33,417
Professional fees	12,867	16,060
Advertising and promotion	12,848	21,684
Amortization	11,707	10,695
Memberships fees	9,959	8,829
Travel	5,697	6,160
Awards banquet	5,321	4,374
Utilities	4,557	5,337
Office	2,745	2,794
Rent	1,320	1,321
Meetings	1,174	718
Bank charges and interest	636	903
Development fund	-	204
Bad debts	-	(2,128)
	<u>487,871</u>	<u>403,618</u>
<b>Excess of revenue over expenses for the year</b>	<u>\$ 6,287</u>	<u>\$ 49,808</u>

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**MANITOBA CYCLING ASSOCIATION INC.**

**Statement of Changes in Net Assets**

**For the Year Ended March 31**

	<u>Invested in capital assets</u>	<u>Erick Oland Memorial Fund</u>	<u>Development Fund</u>	<u>Asset Replacement Fund</u>	<u>Unrestricted Net Assets</u>	<u>2019</u>	<u>2018</u>
<b>Net assets, beginning of year</b>	\$ 22,551	\$ 669	\$ 14,018	\$ 28,880	\$ 113,621	\$ 179,739	\$ 129,931
<b>Excess (deficiency) of revenue over expenses for the year</b>	(8,543)	10	-	475	14,345	6,287	49,808
<b>Capital assets purchased</b>	5,059	-	-	-	(5,059)	-	-
<b>Interfund transfer</b>	-	-	1,265	-	(1,265)	-	-
<b>Net assets, end of year</b>	<u>\$ 19,067</u>	<u>\$ 679</u>	<u>\$ 15,283</u>	<u>\$ 29,355</u>	<u>\$ 121,642</u>	<u>\$ 186,026</u>	<u>\$ 179,739</u>

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**MANITOBA CYCLING ASSOCIATION INC.**

**Statement of Cash Flows**

	<b>For the Year Ended March 31</b>	
	<u><b>2019</b></u>	<u><b>2018</b></u>
<b>Cash flow from operating activities:</b>		
Excess of revenue over expenses for the year	\$ 6,287	\$ 49,808
Amortization of deferred contributions	(3,164)	(3,164)
Amortization	11,707	10,695
Allowance for doubtful accounts	-	(2,128)
	<u>14,830</u>	<u>55,211</u>
Changes in working capital accounts:		
Accounts receivable	(18,210)	814
GST receivable	13,479	(1,763)
Prepaid expenses	(3,774)	8,467
Inventory	5,152	(6,471)
Accounts payable and accrued liabilities	(9,312)	(5,987)
Deferred revenue	4,285	1,406
	<u>6,450</u>	<u>51,677</u>
<b>Cash flow from investing activities:</b>		
Net purchase of capital assets	(5,059)	-
Redemption of investments	-	28,761
	<u>(5,059)</u>	<u>28,761</u>
<b>Increase in cash</b>	1,391	80,438
<b>Cash, beginning of year</b>	<u>187,058</u>	<u>106,620</u>
<b>Cash, end of year</b>	\$ <u>188,449</u>	\$ <u>187,058</u>
Cash	158,415	157,510
Restricted cash	<u>30,034</u>	<u>29,548</u>
	\$ <u>188,449</u>	\$ <u>187,058</u>

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**MANITOBA CYCLING ASSOCIATION INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

**1. Nature of the Association:**

The Manitoba Cycling Association Inc. is a private Association incorporated under the Manitoba Corporations Act in December 1980. The Association has no authorized share capital and operates without pecuniary gain to its members. Any profits accrued by the Association are used to further its undertaking. The Association operates as a not-for-profit association to advance athletes along the performance pathway and develop partnerships to promote the growth of cycling in Manitoba.

**2. Summary of significant accounting policies:**

a) Basis of accounting

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

b) Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the directives issued by the Board of Directors.

Five funds are maintained: Unrestricted, Invested in Capital Assets, Development fund, the Asset Replacement fund and the Erick Oland Memorial fund.

The Unrestricted fund is used to account for revenue and expenses related to general operations of the Association.

The Invested in Capital Assets fund is used to account for all capital assets of the Association and to present the flow of funds related to their acquisition and disposal.

The Development fund is used to support the development of racing infrastructure and expertise for members of the Manitoba Cycling Association Inc. This support focuses on race venue, commissaire and coaching development and for activities which demonstrate value-added benefits to the cycling community.

The Asset Replacement fund is used to account for funds designated to replace aging or obsolete capital assets.

The Erick Oland Memorial fund consist of funds donated to the Association in memory of Erick Oland Sr, founder of the Manitoba Cycling Association Inc. in 1980. These funds have been restricted for the purpose of Cycling Youth Development.

c) 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. Unrestricted donations and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Membership and participant fees are recognized as revenue in the year earned.



**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019**

**2. Significant accounting policies (continued):**

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances.

e) Capital assets

Capital assets are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives, which is five years.

f) Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Association performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year. Prices for similar items are used to measure fair value of long-lived assets.

g) Contributed services

Volunteers contribute a significant amount of time in assisting the Association in carrying out its activities. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

h) Measurement uncertainty

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Management has estimated the value of the inventory based upon their assessment of the realizable amount less selling costs.

Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

2. Summary of significant accounting policies (continued):

i) Financial instrument measurement

The 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.

The financial assets subsequently measured at amortized cost include cash, restricted cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Transactions costs are expensed when incurred.

3. Accounts receivable:

Accounts receivable is presented net of an allowance for doubtful accounts of \$nil (2018 - \$nil).

4. Capital assets:

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Automotive	\$ 29,503	\$ 14,752	\$ 29,503	\$ 8,851
Computer equipment	7,704	7,692	7,704	7,543
Equipment	37,506	25,334	32,447	19,985
Office equipment	6,746	6,693	6,746	6,385
Trailers	8,205	8,205	8,205	8,205
	<u>\$ 89,664</u>	<u>\$ 62,676</u>	<u>\$ 84,605</u>	<u>\$ 50,969</u>
Net book value		<u>\$ 26,988</u>		<u>\$ 33,636</u>

5. Deferred revenue:

Deferred revenue represents restricted operating funding received in the current period but is related to expenses of future periods.

	2019	2018
Balance - beginning of year	\$ 60,866	\$ 59,460
Amounts received during the year	(58,559)	72,259
Amounts recognized as revenue during the year	62,844	(70,853)
	<u>\$ 65,151</u>	<u>\$ 60,866</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

6. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the grants.

The change in deferred contributions for the year is as follows:

	<u>2019</u>	<u>2018</u>
Balance - beginning of year	\$ 11,085	\$ 14,383
Amortization of deferred contributions	(3,164)	(3,164)
Deferred contributions	<u>-</u>	<u>(134)</u>
	<u>\$ 7,921</u>	<u>\$ 11,085</u>

7. Invested in capital assets:

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 26,988	\$ 33,636
Less: Amounts financed by: Deferred contributions	<u>(7,921)</u>	<u>(11,085)</u>
	<u>\$ 19,067</u>	<u>\$ 22,551</u>

8. Financial instrument risk management:

The Association is exposed to different types of risk in the normal course of its operations, including credit risk and market risk. The Association's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Association's activities.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Association to credit risk consists principally of investments and accounts receivable.

The Association is not exposed to significant credit risk as the receivable is spread among a broad client base and payment in full is typically collected when it is due. The Association establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

**8. Financial instrument risk management (continued):**

Market risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Association is not exposed to significant interest rate risk as its cash and investments are held in short-term or variable rate products.

The Association is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency is minimal. The Association is not exposed to other price risk.

Liquidity risk

Liquidity risk is the risk that the Association encounters difficulty in meeting its obligations. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Association will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

**9. Economic dependence:**

The Association receives a significant portion of its revenue in the form of funding from Sport Manitoba each year. The Association's ability to continue its activities is dependent upon the continuation of this funding support.

**10. Comparative figures:**

Certain comparative figures were reclassified to conform to the current year's financial statement presentation. Excess of revenue over expenses for the year ended March 31, 2018 remains as previously stated.