

**CANADIAN CENTRE FOR ETHICS IN SPORT**

**FINANCIAL STATEMENTS**

**MARCH 31, 2016**

McCAY DUFF LLP, CHARTERED ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Canadian Centre for Ethics in Sport

### Report on the Financial Statements

We have audited the accompanying financial statements of Canadian Centre for Ethics in Sport which comprise the statement of financial position as at March 31, 2016, the statements of operations, 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' 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.



**MCCAY DUFF LLP**

Chartered Accountants

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## **INDEPENDENT AUDITORS' REPORT**

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, the financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*McCay Duff LLP*

McCay Duff LLP,  
Licensed Public Accountants

Ottawa, Ontario.

**CANADIAN CENTRE FOR ETHICS IN SPORT**

**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2016**

|  | <b>ASSETS</b>      | <b><u>2016</u></b>  |
|--|--------------------|---------------------|
| <b>CURRENT</b>                               |                    |                     |
| Cash in bank                                 |                    | \$ 671,843          |
| Funds held in trust (note 6)                 |                    | 219,576             |
| Accounts receivable (note 4)                 |                    | 2,008,166           |
| Prepaid expenses                             |                    | <u>57,148</u>       |
|  |                    | 2,956,733           |
| <b>CAPITAL (note 5)</b>                      |                    | <u>142,956</u>      |
|  |                    | <u>\$ 3,099,689</u> |
|  | <b>LIABILITIES</b> |                     |
| <b>CURRENT</b>                               |                    |                     |
| Accounts payable and accrued liabilities     |                    | \$ 1,860,711        |
| Funds held in trust (note 6)                 |                    | 219,576             |
| Deferred contributions (note 7)              |                    | 129,073             |
| Deferred revenue                             |                    | <u>24,000</u>       |
|  |                    | 2,233,360           |
|  | <b>NET ASSETS</b>  |                     |
| <b>SURPLUS (DEFICIT)</b>                     |                    | 53,613              |
| <b>NET ASSETS INVESTED IN CAPITAL ASSETS</b> |                    | 115,144             |
| <b>CONTINGENCY RESERVE FUND (note 8)</b>     |                    | 350,000             |
| <b>ETHICS IN SPORT RESERVE FUND (note 9)</b> |                    | <u>347,572</u>      |
|  |                    | <u>866,329</u>      |
|  |                    | <u>\$ 3,099,689</u> |
| Commitment (note 11)                         |                    |                     |

**CANADIAN CENTRE FOR ETHICS IN SPORT**

**STATEMENT OF NET ASSETS**

**FOR THE YEAR ENDED MARCH 31, 2016**

|  | <u>Surplus<br/>(Deficit)</u> | <u>Net Assets<br/>Invested<br/>in Capital<br/>Assets</u> | <u>Net Assets<br/>Invested in<br/>CCES Partner-<br/>ship Projects<br/>Investments</u> | <u>Contingency<br/>Reserve<br/>Fund<br/>(note 8)</u> | <u>Ethics<br/>in Sport<br/>Reserve<br/>Fund<br/>(note 9)</u> | <u>Total</u>      |
|--|------------------------------|--|---|--|--|-------------------|
| <b>BALANCE - BEGINNING<br/>OF YEAR</b> | \$ 66,503                    | \$ 147,073   | \$ -  | \$ 350,000   | \$ 387,572   | \$ 951,148        |
| Net revenue (expenses)<br>for the year | ( 1,229)                     | ( 83,590)  | -   | -  | -  | ( 84,819)         |
| Interfund appropriation (note 9)       | 40,000                       | -  | -   | -  | ( 40,000)  | -                 |
| Purchase of capital assets             | <u>( 51,661)</u>             | <u>51,661</u>  | <u>-</u>  | <u>-</u>   | <u>-</u>   | <u>-</u>          |
| <b>BALANCE - END OF YEAR</b>           | <u>\$ 53,613</u>             | <u>\$ 115,144</u>  | <u>\$ -</u>   | <u>\$ 350,000</u>                                    | <u>\$ 347,572</u>  | <u>\$ 866,329</u> |

**CANADIAN CENTRE FOR ETHICS IN SPORT**

**STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED MARCH 31, 2016**

|  | <u><b>2016</b></u>         |
|--|----------------------------|
| <b>REVENUE</b>   |                            |
| Sport Canada Funding   | \$ 5,488,700               |
| Canadian Anti-Doping Program Services                        |                            |
| - NSO-CADP Adoption Contributions                            | 433,880                    |
| - Additional CADP Contributions                              | 292,000                    |
| - Revenue from other sources                                 | 2,619,167                  |
| Ethical Sport Leadership                                     |                            |
| - Revenue from other sources                                 | 321,850                    |
| Interest & Investment Income                                 | 16,509                     |
| Miscellaneous  | <u>7,341</u>               |
|  | 9,179,447                  |
| Less: Deferred contributions for purchase of capital assets  | -                          |
| Add: Amortization of deferred capital contributions (note 7) | <u>54,749</u>              |
|  | 9,234,196                  |
| <b>EXPENSES</b>  |                            |
| Canadian Anti-Doping Program Services                        | 8,450,733                  |
| Ethical Sport Leadership                                     | 868,282                    |
| Official languages program                                   | <u>-</u>                   |
|  | <u>9,319,015</u>           |
| <b>NET REVENUE (EXPENSES) FOR THE YEAR</b>                   | <u><u>\$ ( 84,819)</u></u> |

**CANADIAN CENTRE FOR ETHICS IN SPORT**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2016**

|  | <u>2016</u>       |
|--|-------------------|
| <b>CASH PROVIDED BY (USED FOR)</b>                                       |                   |
| <b>OPERATING ACTIVITIES</b>  |                   |
| Cash from operations   |                   |
| Net revenue (expenses) for the year                                      | \$( 84,819)       |
| Item not involving cash  |                   |
| - amortization   | <u>138,339</u>    |
|  | 53,520            |
| Net change in non-cash working capital<br>balances related to operations | <u>115,289</u>    |
|  | 168,809           |
| <b>INVESTING ACTIVITY</b>  |                   |
| Purchase of capital assets   | <u>( 51,661)</u>  |
| <b>INCREASE (DECREASE) IN CASH DURING<br/>THE YEAR</b>                   | 117,148           |
| Cash - beginning of year   | <u>774,271</u>    |
| <b>CASH - END OF YEAR</b>  | <u>\$ 891,419</u> |
| <b>CASH (BANK INDEBTEDNESS) CONSISTS OF:</b>                             |                   |
| Unrestricted   | \$ 671,843        |
| Funds held in trust  | <u>219,576</u>    |
|  | <u>\$ 891,419</u> |

# CANADIAN CENTRE FOR ETHICS IN SPORT

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

### 1. ORGANIZATION

Canadian Centre for Ethics in Sport (the "Centre") is the recognized Canadian authority on values-based and doping-free sport. On behalf of the Canadian sport community, the Centre provides strong and effective leadership on the True Sport Movement and the Canadian Anti-Doping Program. The Centre delivers programs and services domestically and internationally providing advice, education, technical support and solutions to further values-based and doping-free sport in Canada.

The Centre was incorporated without share capital by way of Letters Patent on April 29, 1991. On July 17, 2014, the Centre received certification of continuance under the Canada Not-for-Profit Corporations Act. The Centre is exempt from income tax as a not-for-profit organization under the Income Tax Act.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Centre's significant accounting policies are as follows:

#### (a) Revenue Recognition

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related restrictions are met. Restricted contributions for the purchase of capital assets are deferred and recognized as revenue at the same rate as the related capital assets are amortized. Unrestricted contributions are recognized when received or receivable, if the amounts can be reasonably estimated and collection is reasonably assured.

Canadian Anti-Doping Program Services - Revenue from other sources includes fee-for-service type revenue, which is recognized when the related services are rendered.

#### (b) Canadian Heritage (Sport Canada) Contributions

Contributions received from Canadian Heritage (Sport Canada) are subject to specific terms and conditions regarding the expenditure of the funds. The Centre's accounting records are subject to audit by Canadian Heritage (Sport Canada) to identify instances, if any, in which amounts charged against contributions have not complied with the agreed terms and conditions and which therefore would be refundable to Canadian Heritage (Sport Canada). Adjustments to prior years' contributions are recorded in the year in which Canadian Heritage (Sport Canada) requests the adjustment. During the year, no adjustments were requested.

**CANADIAN CENTRE FOR ETHICS IN SPORT**

**NOTES TO FINANCIAL STATEMENTS**

**MARCH 31, 2016**

**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

(c) Capital Assets and Amortization

Capital assets are stated at cost, net of accumulated amortization. Leasehold improvements are stated net of leasehold inducements. Amortization is provided on the straight line basis as follows:

|                        |                                      |
|------------------------|--------------------------------------|
| Office equipment       | 5 Years                              |
| Computer equipment     | 3 Years                              |
| Accounting system      | 5 - 10 years                         |
| Leasehold improvements | Over the remaining term of the lease |

(d) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at year end. Revenue and expense items are translated at the rate of exchange prevailing at the time of each transaction.

(e) Use of Estimates

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, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to net revenue (expenses) as appropriate in the year they become known.

(f) Volunteer Services

The Centre receives the services of volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expense has been included in these financial statements.

(g) Contributed Equipment

Contributed equipment is stated at fair market value as at the date of receipt.

# CANADIAN CENTRE FOR ETHICS IN SPORT

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

#### (h) Financial Instruments

The Centre's financial instruments consist of cash, bank indebtedness, accounts receivable, accounts payable and accrued liabilities and funds held in trust.

##### *Measurement*

Financial instruments are recorded at fair value on initial recognition.

The Centre subsequently measures all of its financial instruments at amortized cost.

##### *Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net revenue (expenses).

#### (i) Allocation of Expenses

General support expenses are allocated to the Canadian Anti-Doping Services and Ethical Sport Leadership functions according to the square footage occupied by the staff associated with those functions.

### 3. FINANCIAL RISKS AND CONCENTRATION OF RISKS

It is management's opinion that the Centre is not exposed to significant interest rate, liquidity, market, currency or credit risks arising from its financial instruments. There has been no change to the risk exposure from 2015.

### 4. ACCOUNTS RECEIVABLE

Accounts receivable are presented net of allowance for doubtful accounts of \$57,199.

### 5. CAPITAL ASSETS

|                        | <u>Cost</u>       | <u>Accumulated<br/>Amortization</u> | <u>Net</u>        |
|------------------------|-------------------|-------------------------------------|-------------------|
| Office equipment       | \$ 133,863        | \$ 116,126                          | \$ 17,737         |
| Computer equipment     | 428,911           | 388,465                             | 40,446            |
| Accounting system      | 155,573           | 70,800                              | 84,773            |
| Leasehold improvements | <u>57,917</u>     | <u>57,917</u>                       | <u>-</u>          |
|                        | <u>\$ 776,264</u> | <u>\$ 633,308</u>                   | <u>\$ 142,956</u> |

Cost of leasehold improvements is net of \$158,800 in leasehold inducements. Amortization expense for the year is \$138,339.

# CANADIAN CENTRE FOR ETHICS IN SPORT

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

### 6. FUNDS HELD IN TRUST

The Centre administers funds on behalf of three international clients for the purpose of coordinating doping control testing. Funds held in trust are restricted for activities related to test coordination on behalf of these clients. These funds are held in segregated bank accounts.

### 7. DEFERRED CONTRIBUTIONS

Deferred contributions consist of:

|                                | <u>Balance -<br/>Beginning<br/>of Year</u> | <u>Amounts<br/>Received</u> | <u>Revenue<br/>Recognized</u> | <u>Balance -<br/>End of<br/>Year</u> |
|--------------------------------|--|-----------------------------|-------------------------------|--------------------------------------|
| Deferred capital contributions | \$ 82,561                                  | \$ -                        | \$ 54,749                     | \$ 27,812                            |
| Other deferred contributions   | <u>110,561</u>                             | <u>239,700</u>              | <u>249,000</u>                | <u>101,261</u>                       |
|                                | <u>\$ 193,122</u>                          | <u>\$ 239,700</u>           | <u>\$ 303,749</u>             | <u>\$ 129,073</u>                    |

Other deferred contributions are restricted for use on specific projects. Funding is recognized in revenue as the related expenses are incurred.

### 8. CONTINGENCY RESERVE FUND

On March 25, 1997, the Centre's Board of Directors approved the creation of a Contingency Reserve Fund in the amount of \$250,000 to provide a source of funds and/or financial relief for unanticipated interruptions in the Centre's revenue. Appropriations to/(from) the fund have been as follows:

|      |                   |
|------|-------------------|
| 1997 | \$ 250,000        |
| 2000 | ( 50,000)         |
| 2001 | 100,000           |
| 2002 | <u>50,000</u>     |
|      | <u>\$ 350,000</u> |

No appropriation was approved or required during the fiscal period ended in 2016.

# CANADIAN CENTRE FOR ETHICS IN SPORT

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2016

### 9. ETHICS IN SPORT RESERVE FUND

On March 26, 2002, the Centre's Board of Directors approved the creation of what would become the Ethics in Sport Reserve Fund. Appropriations to/(from) the fund have been as follows:

|      |                   |
|------|-------------------|
| 2002 | \$ 250,000        |
| 2004 | 400,000           |
| 2004 | ( 33,000)         |
| 2005 | ( 20,000)         |
| 2007 | ( 149,021)        |
| 2010 | ( 9,528)          |
| 2011 | ( 67,457)         |
| 2012 | ( 23,422)         |
| 2014 | 40,000            |
| 2016 | <u>( 40,000)</u>  |
|      | <u>\$ 347,572</u> |

Appropriations of \$40,000 were approved during the year.

### 10. RELATED PARTY TRANSACTIONS

One member of the management of the Centre is a director of the True Sport Foundation, a registered charitable organization. The Centre has provided administrative support at a cost of \$157,500 and provided a contribution of \$10,000 to the Foundation. The Centre also received \$4,233 for rental of office space. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Accounts receivable includes an amount owing from the True Sport Foundation of \$178,552, and accounts payable includes an amount owing to True Sport Foundation of \$90.

### 11. COMMITMENT

- (a) The Centre has entered into a contractual agreement with Institut national de la recherche scientifique (INRS Laboratory) for its services for a fee of \$1,420,000 per year, expiring June 30, 2018. In addition, the Centre is obligated to contribute up to \$95,000 annually for joint research projects and up to \$200,000 annually to the acquisition of analytical instrumentation and other equipment
- (b) The Centre has leased premises to May 31, 2017 for annual base rent plus operating costs and related taxes of approximately \$119,000 per year. Annual base rent per fiscal year is due as follows:

|           |            |
|-----------|------------|
| 2016/2017 | \$ 112,970 |
| 2017/2018 | \$ 18,828  |

### 12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current financial statement presentation.