



CANADIAN CENTRE FOR ETHICS IN SPORT

Financial Statements

For The Year Ended March 31, 2017

CANADIAN CENTRE FOR ETHICS IN SPORT

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1.

INDEPENDENT AUDITOR'S REPORT

To the directors of
Canadian Centre for Ethics in Sport

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, 2017, and the statements of changes in net assets, operations 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.

Auditor's 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 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.

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 Canadian Centre for Ethics in Sport as at March 31, 2017, 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.

Other Matter

The financial statements of Canadian Centre for Ethics in Sport for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 28, 2016.



GINSBERG GLUZMAN FAGE & LEVITZ, LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa,

June 23, 2017.

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2017

	2017	2016
ASSETS		
Current		
Cash	\$ 1,588,629	\$ 671,843
Funds held in trust (note 4)	116,710	219,576
Accounts receivable	703,487	2,008,166
Prepaid expenses	98,073	57,148
	<u>2,506,899</u>	<u>2,956,733</u>
Capital assets (note 5)	<u>121,812</u>	<u>142,956</u>
	<u>\$ 2,628,711</u>	<u>\$ 3,099,689</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 6)	\$ 1,538,099	\$ 1,860,711
Funds held in trust (note 4)	116,710	219,576
Deferred contributions (note 7)	33,444	129,073
Deferred revenue	63,961	24,000
	<u>1,752,214</u>	<u>2,233,360</u>
Contingency (note 10)		
NET ASSETS		
Operating Fund	57,113	53,613
Capital Fund	121,812	115,144
Contingency Reserve Fund	350,000	350,000
Ethics in Sport Reserve Fund	347,572	347,572
	<u>876,497</u>	<u>866,329</u>
	<u>\$ 2,628,711</u>	<u>\$ 3,099,689</u>

Approved on behalf of the board:

_____ director

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2017

	Operating Fund	Capital Fund	Contingency Reserve Fund	Ethics in Sport Reserve Fund	2017	2016
Balance, beginning of year	\$ 53,613	\$ 115,144	\$ 350,000	\$ 347,572	\$ 866,329	\$ 951,148
Net result for the year	52,520	(42,352)	-	-	10,168	(84,819)
Purchase of capital assets	(49,020)	49,020	-	-	-	-
Balance, end of year	\$ 57,113	\$ 121,812	\$ 350,000	\$ 347,572	\$ 876,497	\$ 866,329

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
Revenue		
Sport Canada	\$ 6,138,700	\$ 5,488,700
Ethical sport enterprises	1,603,869	2,623,017
Canadian Anti-Doping Program contributions	370,085	726,380
Ontario Trillium Foundation	187,316	138,440
True Sport Foundation (note 8)	108,590	174,885
Other	43,263	78,305
	<u>8,451,823</u>	<u>9,229,727</u>
Expenditures		
Salaries and benefits	2,881,165	3,078,854
Laboratory services and testing supplies	2,455,466	2,966,360
Program wages and honoraria	819,009	874,634
Travel and meetings	596,528	609,316
Professional fees	543,335	523,590
Rent	322,633	317,535
Office	320,116	408,851
Communications and technology	216,978	164,056
Other	119,062	133,926
Insurance	97,198	99,085
Amortization	70,165	138,339
	<u>8,441,655</u>	<u>9,314,546</u>
Net result for the year	<u>\$ 10,168</u>	<u>\$ (84,819)</u>

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
CASH PROVIDED BY (USED IN)		
Operating activities		
Net result for the year	\$ 10,168	\$ (84,819)
Amortization	70,165	138,339
Changes in operating net assets		
Accounts receivable	1,304,679	(914,724)
Prepaid expenses	(40,925)	(19,266)
Accounts payable and accrued liabilities	(322,614)	1,046,244
Deferred revenue	39,961	-
Deferred contributions	(95,628)	(64,050)
	<u>965,806</u>	<u>101,724</u>
Investing activities		
Purchase of capital assets	<u>(49,020)</u>	<u>(51,661)</u>
Increase in cash	916,786	50,063
Cash, beginning of year	<u>671,843</u>	<u>621,780</u>
Cash, end of year	<u>\$ 1,588,629</u>	<u>\$ 671,843</u>

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

1. Purpose of the organization

Canadian Centre for Ethics in Sport ("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 has continued under the Canada Not-for-profit Corporations Act and is exempt from income tax under the Income Tax Act.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

Operating Fund

The Operating Fund accounts for the Centre's program delivery and administrative activities.

Capital Fund

The Capital Fund reports capital assets owned by the Centre.

Contingency Reserve Fund

The Centre's Board of Directors internally restricted funds to safeguard its diverse operations and assist with managing financial liabilities in the event of potential unforeseen circumstances.

Ethics in Sport Reserve Fund

The Centre's Board of Directors internally restricted funds to ensure programs specifically in the area of Ethics in Sport can continue to be carried out in the event of program deficits.

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents can include cash on hand, balances with financial institutions (net of temporary overdrafts) and short-term highly liquid investments.

Financial instruments

Measurement of financial instruments

The Centre initially measures its financial assets and liabilities at fair value. The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the writedown is recognized in the net result for the period.

Transaction costs

Transaction costs are recognized in the net result in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance, or assumption.

Capital assets

Capital assets are recorded at cost. Amortization is provided on the straight line basis as follows:

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

Revenue recognition

The Centre follows the deferral method of accounting for revenue. Restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue for anti-doping and testing services is recognized when the services are performed.

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

2. Significant accounting policies (continued)

Foreign currency translation

Foreign currency transactions and balances have been translated to Canadian dollars using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange on the year end date. Revenues and expenses are translated at the rate of exchange prevailing at the time of each transaction. Translation gains or losses are included in the determination of income for the year.

Contributed services

Volunteers contribute many hours per year to assist the Centre in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the net results in the period in which they become known.

3. Financial instruments

Risks and concentrations

The Centre is exposed to various risks through its financial instruments. The following analysis provides a measure of the Centre's risk exposure and concentrations at March 31, 2017.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its accounts payable and accrued liabilities.

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NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

3. Financial instruments (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Centre's main credit risks relate to its accounts receivable. The company provides credit to its clients in the normal course of operations.

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. The Centre is not exposed to significant currency risk.

4. 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.

5. Capital assets

	Cost	2017 Accumulated Amortization	Net Book Value
Accounting system	\$ 170,606	\$ 85,058	\$ 85,548
Computer equipment	462,898	433,559	29,339
Leasehold improvements	57,917	57,917	-
Office equipment	133,863	126,938	6,925
	<u>\$ 825,284</u>	<u>\$ 703,472</u>	<u>\$ 121,812</u>
	Cost	2016 Accumulated Amortization	Net Book Value
Accounting system	\$ 155,573	\$ 70,800	\$ 84,773
Computer equipment	428,910	388,464	40,446
Leasehold improvements	57,917	57,917	-
Office equipment	133,863	116,126	17,737
	<u>\$ 776,263</u>	<u>\$ 633,307</u>	<u>\$ 142,956</u>

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NOTES TO FINANCIAL STATEMENTS

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6. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances in the amount of \$15,697 (2016 - \$Nil).

7. Deferred contributions

Changes in deferred contributions are as follows:

	2017	2016
Balance, beginning of year	\$ 129,073	\$ 193,122
Add: funding received in the year	119,500	239,700
Less: funding amounts recognized as revenue in the year	<u>(215,129)</u>	<u>(303,749)</u>
Balance, end of year	<u>\$ 33,444</u>	<u>\$ 129,073</u>

Included in revenue for the year was \$27,812 (2016 - \$54,749) related to deferred capital contributions. As at March 31, 2017, there was no remaining balance of deferred capital contributions.

8. Related party balance and transactions

The Centre's Board of Directors are the members of the True Sport Foundation ("Foundation").

During the year, the Centre recognized revenue from the Foundation for office rent, project management services, administrative support, and unrestricted contributions. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is \$115,200 (2016 - \$178,552) from the Foundation.

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NOTES TO FINANCIAL STATEMENTS

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9. Commitments

The Centre has an operating lease commitment on its premises which expires November 30, 2017. Annual base rent payments required in fiscal 2018 amount to \$75,313.

In addition, the Centre has entered into a contractual agreement with Institut national de la recherche scientifique (INRS Laboratory) for its services, an annual contribution to research projects, and the acquisition of analytical instrumentation and other equipment.

The following is a schedule of future payments required annually:

2018	\$ 1,715,000
2019	<u>428,750</u>
	<u>\$ 2,143,750</u>

10. Contingency

The Centre is a defendant in a lawsuit initiated in 2008, whereby the plaintiff is challenging the results of a positive drug test. Management is unable to assess the potential liability, however, the Centre's insurer is expected to cover all payments resulting from either a trial decision or a pre-trial settlement.

11. Comparative figures

Certain 2016 comparative figures have been reclassified to conform with the presentation adopted in 2017.