



CANADIAN CENTRE FOR ETHICS IN SPORT

Financial Statements

For The Year Ended March 31, 2020

CANADIAN CENTRE FOR ETHICS IN SPORT

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MARCH 31, 2020

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1.

INDEPENDENT AUDITOR'S REPORT

To the directors of
Canadian Centre for Ethics in Sport

Opinion

We have audited the financial statements of Canadian Centre for Ethics in Sport (the Centre), which comprise the statement of financial position as at March 31, 2020, and the statements of changes in net assets, operations and 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 Centre as at March 31, 2020, 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.

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 Centre 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.

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 Centre'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 Centre or to cease operations, or has no realistic alternative but to do so.

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



Chartered Professional Accountants, Licensed Public Accountants
Ottawa,
October 1, 2020.

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	2020	2019
ASSETS		
Current		
Cash	\$ 2,386,770	\$ 1,951,783
Funds held in trust (note 4)	349,603	300,590
Accounts receivable	754,244	602,540
Sales taxes recoverable	-	42,908
Prepaid expenses	155,859	136,091
	<u>3,646,476</u>	<u>3,033,912</u>
Capital assets (note 6)	<u>365,163</u>	<u>323,336</u>
	<u>\$ 4,011,639</u>	<u>\$ 3,357,248</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,918,919	\$ 1,707,925
Funds held in trust (note 4)	349,603	300,590
Deferred revenue (note 7)	293,868	106,514
Sales taxes payable	1,213	-
	<u>2,563,603</u>	<u>2,115,029</u>
Commitments (note 10)		
NET ASSETS		
Operating Fund	210,596	214,485
Capital Fund	365,163	323,336
Contingency Reserve Fund	354,704	352,132
Ethics in Sport Reserve Fund	517,573	352,266
	<u>1,448,036</u>	<u>1,242,219</u>
	<u>\$ 4,011,639</u>	<u>\$ 3,357,248</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, 2020

	Operating Fund	Capital Fund	Contingency Reserve Fund	Ethics in Sport Reserve Fund	2020	2019
Balance, beginning of year	\$ 214,485	\$ 323,336	\$ 352,132	\$ 352,266	\$1,242,219	\$1,028,984
Net result for the year	337,080	(138,278)	2,572	4,443	205,817	213,235
Purchase of capital assets	(180,105)	180,105	-	-	-	-
Interfund transfer (note 8)	(160,864)	-	-	160,864	-	-
Balance, end of year	<u>\$ 210,596</u>	<u>\$ 365,163</u>	<u>\$ 354,704</u>	<u>\$ 517,573</u>	<u>\$1,448,036</u>	<u>\$1,242,219</u>

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
Revenue		
Sport Canada	\$ 7,259,700	\$ 6,656,502
Ethical sport enterprises	2,017,636	2,130,652
Canadian Anti-Doping Program contributions	376,428	288,200
Other	146,443	68,251
True Sport Foundation (note 9)	26,550	26,550
	<u>9,826,757</u>	<u>9,170,155</u>
Expenditures		
Salaries and benefits	3,240,708	3,102,688
Laboratory services and testing supplies	2,940,258	2,559,303
Professional fees	782,618	715,627
Program wages and honoraria	745,336	772,628
Travel and meetings	709,060	584,974
Office	341,617	328,170
Rent	266,251	276,651
Other (note 9)	182,695	275,508
Communications and technology	177,538	157,157
Amortization	138,278	89,259
Insurance	96,581	94,955
	<u>9,620,940</u>	<u>8,956,920</u>
Net result for the year	<u>\$ 205,817</u>	<u>\$ 213,235</u>

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

	2020	2019
CASH PROVIDED BY (USED IN)		
Operating activities		
Net result for the year	\$ 205,817	\$ 213,235
Amortization	138,278	89,259
Accounts receivable	(151,703)	86,844
Sales taxes	44,120	(4,929)
Prepaid expenses	(19,767)	(55,747)
Accounts payable and accrued liabilities	210,992	298,766
Deferred revenue	187,355	29,195
	<u>615,092</u>	<u>656,623</u>
Investing activities		
Purchase of capital assets	(180,105)	(91,585)
Increase in cash	434,987	565,038
Cash, beginning of year	<u>1,951,783</u>	<u>1,386,745</u>
Cash, end of year	<u>\$ 2,386,770</u>	<u>\$ 1,951,783</u>

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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, 2020

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
Furniture	10 years
Leasehold improvements	Over the remaining term of the lease
Office equipment	5 years

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

2. Significant accounting policies (continued)

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.

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 the net result 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.

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

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, 2020.

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.

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 Centre 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 four 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. Line of credit

The Centre has an authorized line of credit of \$250,000, at a rate of prime plus 1.65%, all of which remained unused as at March 31, 2020.

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

6. Capital assets

	Cost	2020 Accumulated Amortization	Net Book Value
Accounting system	\$ 169,159	\$ 127,108	\$ 42,051
Computer equipment	582,830	435,403	147,427
Furniture	217,939	65,163	152,776
Leasehold improvements	27,381	7,305	20,076
Office equipment	58,376	55,543	2,833
	<u>\$ 1,055,685</u>	<u>\$ 690,522</u>	<u>\$ 365,163</u>

	Cost	2019 Accumulated Amortization	Net Book Value
Accounting system	\$ 169,159	\$ 113,091	\$ 56,068
Computer equipment	409,618	336,996	72,622
Furniture	216,687	43,337	173,350
Leasehold improvements	23,017	4,437	18,580
Office equipment	57,098	54,382	2,716
	<u>\$ 875,579</u>	<u>\$ 552,243</u>	<u>\$ 323,336</u>

7. Deferred revenue

During the year, the Centre received payments for services expected to be rendered and events expected to take place in the next fiscal period.

8. Interfund transfer

At the Centre's board meeting on June 9, 2019, the Board of Directors approved a transfer of 75% of the opening balance of the Operating Fund to the Ethics in Sport Reserve Fund.

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

9. 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 \$26,550 (2019 - \$26,550) of revenue from the Foundation for project management services and administrative support. The Centre made contributions of \$13,170 (2019 - \$50,000) to the Foundation for reimbursement of expenses but no amount was paid to the Foundation for programming (2019 - \$10,000). These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is \$14,524 (2019 - \$Nil) receivable from the Foundation.

There is no balance included in accounts payable (2019 - \$50,100) payable to the Foundation.

10. Commitments

The Centre has an operating lease commitment on its premises which expires February 28, 2028. The following is a schedule of future payments for base rent and estimated future operating costs required annually:

2021	\$	297,137
2022		297,137
2023		297,137
2024		297,137
2025		297,137
Subsequent		<u>866,650</u>
	\$	<u><u>2,352,335</u></u>

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, which expires April 1, 2021. The required cost for 2021 is \$1,815,000.

CANADIAN CENTRE FOR ETHICS IN SPORT

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2020

11. Subsequent event - COVID-19

The recent outbreak of the Coronavirus disease 2019 (COVID-19) has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Centre or its funders, suppliers, and other partners may be unable to conduct regular operating activities for an undetermined period of time.

While it is not possible, at this time, to estimate the impact that COVID-19 could have on the Centre, the continued spread of COVID-19 and the measures taken by the federal, provincial, and municipal governments in response could adversely impact the Centre, its financial condition or ability to offer services.

The extent to which the COVID-19 outbreak impacts the Centre's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.