

FINANCIAL STATEMENTS
For
CANADIAN CENTRE FOR ETHICS IN SPORT
For year ended
MARCH 31, 2023

CANADIAN CENTRE FOR ETHICS IN SPORT

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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, 2023, 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, 2023 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 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.

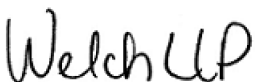
Auditor's Responsibilities for the Audit of the Financial Statements

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, Ontario
October 24, 2023.

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 2,822,413	\$ 961,961
Funds held in trust (note 4)	320,579	143,264
Accounts receivable (note 8)	602,114	1,455,533
Sales taxes recoverable	70,135	53,508
Prepaid expenses	<u>242,174</u>	<u>157,511</u>
	4,057,415	2,771,777
CAPITAL ASSETS (note 6)	<u>209,023</u>	<u>185,057</u>
	<u>\$ 4,266,438</u>	<u>\$ 2,956,834</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,082,272	\$ 997,060
Funds held in trust (note 4)	320,579	143,264
Deferred revenue (note 7)	40,877	94,024
Sales taxes payable	<u>52,273</u>	<u>30,174</u>
	2,496,001	1,264,522
DEFERRED RENT	<u>24,607</u>	<u>38,030</u>
	<u>2,520,608</u>	<u>1,302,552</u>
NET ASSETS		
Operating Fund - unrestricted	478,103	594,073
Capital Fund - internally restricted	209,023	185,057
Contingency Reserve Fund - internally restricted	533,805	355,379
Ethics in Sport Reserve Fund - internally restricted	<u>524,899</u>	<u>519,773</u>
	<u>1,745,830</u>	<u>1,654,282</u>
	<u>\$ 4,266,438</u>	<u>\$ 2,956,834</u>

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

CANADIAN CENTRE FOR ETHICS IN SPORT
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2023

	<u>Operating Fund</u>	<u>Capital Fund</u>	<u>Contingency Reserve Fund</u>	<u>Ethics in Sport Reserve Fund</u>	<u>2023 Total</u>	<u>2022 Total</u>
Balance, beginning of year	\$ 594,073	\$ 185,057	\$ 355,379	\$ 519,773	\$ 1,654,282	\$ 1,478,362
Net revenue (expenses)	200,043	(116,127)	2,506	5,126	91,548	175,920
Purchase of capital assets	(140,093)	140,093	-	-	-	-
Transfers	<u>(175,920)</u>	<u>-</u>	<u>175,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 478,103</u>	<u>\$ 209,023</u>	<u>\$ 533,805</u>	<u>\$ 524,899</u>	<u>\$ 1,745,830</u>	<u>\$ 1,654,282</u>

(See accompanying notes)

CANADIAN CENTRE FOR ETHICS IN SPORT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Revenue		
Government of Canada funding	\$ 7,372,200	\$ 7,164,699
Fees and revenues from other organizations	2,147,984	1,305,743
Government assistance (note 9)	273,651	625,432
Other revenue	191,361	849
Canadian anti-doping program contributions	175,000	431,000
Investment income	7,814	1,496
Gain on foreign exchange	4,401	7,811
	<u>10,172,411</u>	<u>9,529,219</u>
Expenses		
Personnel costs	3,658,884	4,055,890
Laboratory services and testing supplies	2,915,749	2,784,993
Travel and meetings	736,125	264,981
Program wages and honoraria	730,479	600,292
Communication and technology	464,922	253,630
Program spending	350,796	342,711
Professional fees	288,935	299,029
Rent and occupancy costs	286,672	248,512
Consulting and subcontractors	215,700	141,776
Education, training, recruitment and retention	126,287	8,328
Amortization and capital expenditures	116,127	128,072
Insurance	106,040	101,856
Office expenses and supplies	47,497	107,250
Service charges and interest	19,690	22,132
Bad debt expense	14,515	110
Other expenses	2,445	1,548
	<u>10,080,863</u>	<u>9,353,299</u>
Net revenue	<u>\$ 91,548</u>	<u>\$ 175,920</u>

(See accompanying notes)

CANADIAN CENTRE FOR ETHICS IN SPORT
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net revenue	\$ 91,548	\$ 175,920
Add (deduct) items not affecting cash:		
Amortization	116,127	128,072
Amortization of deferred rent	<u>(13,423)</u>	<u>(6,711)</u>
	194,252	297,281
Net change in non-cash working capital components:		
Accounts receivable	853,419	(1,220,095)
Sales taxes	5,472	26,658
Prepaid expenses	(84,663)	(23,291)
Accounts payable and accrued liabilities	1,085,212	266,229
Deferred revenue	<u>(53,147)</u>	<u>(490,296)</u>
	<u>2,000,545</u>	<u>(1,143,514)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(140,093)</u>	<u>(49,799)</u>
INCREASE (DECREASE) IN CASH	1,860,452	(1,193,313)
CASH, BEGINNING OF YEAR	<u>961,961</u>	<u>2,155,274</u>
CASH, END OF YEAR	<u>\$ 2,822,413</u>	<u>\$ 961,961</u>

(See accompanying notes)

CANADIAN CENTRE FOR ETHICS IN SPORT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

1. NATURE OF OPERATIONS

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 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

Basis of accounting

These financial statements have been 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.

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.

CANADIAN CENTRE FOR ETHICS IN SPORT
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Capital assets

Capital assets are recorded at cost. Amortization is provided on a 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

Deferred rent

Deferred rent is recorded at cost and is amortized on a straight-line basis over the term of the related lease.

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.

Government assistance

The Canadian government introduced several forms of temporary government assistance through various subsidies in response to the COVID-19 pandemic. Subsidies received have been recorded in the period to which they relate as long as the amount of the subsidy could be reasonably estimated at that point in time. The amount of assistance received is reported as a direct increase in revenue in the applicable period.

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.

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. Significant accounting estimates include determining the collectibility of accounts receivable, the useful life of capital assets and the determination of accrued liabilities. Actual results could differ from these estimates. 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 THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

3. FINANCIAL INSTRUMENTS

The Centre is exposed to and manages various financial risks.

The Centre's main financial risk exposure and its financial risk management policies are as follows:

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 maximum exposure to credit risk is the sum of its carrying value of its cash and accounts receivable. The Centre's cash is deposited with Canadian chartered banks and as a result, management believes the risk of loss of these items to be remote. The Centre manages the credit risk associated with its accounts receivable by reviewing the status of outstanding amounts periodically and following up on its outstanding amounts.

Liquidity risk

Liquidity risk is the risk that the Centre cannot meet a demand for cash or fund its obligations as they become due. The Centre meets its liquidity requirements by establishing budgets and cash estimates to ensure it has funds necessary to fulfil its obligations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk, currency risk and other price risk.

i) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Centre is not exposed to interest rate risk.

ii) *Currency risk*

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Centre is not exposed to significant currency risk.

iii) *Other price risk*

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

Since the Centre does not hold any publicly traded investments, it is not exposed to significant other price risk.

Changes in risk

There have been no significant changes in the Centre's risk exposure from the previous year.

CANADIAN CENTRE FOR ETHICS IN SPORT
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

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 bank prime plus 4.85%, all of which remained unused as at March 31, 2023.

6. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2023</u>			<u>2022</u>
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Accounting system	\$ 169,159	\$ 169,159	\$ -	\$ 14,017
Computer equipment	698,645	588,650	109,995	47,063
Furniture	217,939	130,638	87,301	109,126
Leasehold improvements	27,381	15,909	11,472	14,340
Office equipment	<u>58,376</u>	<u>58,121</u>	<u>255</u>	<u>511</u>
	<u>\$ 1,171,500</u>	<u>\$ 962,477</u>	<u>\$ 209,023</u>	<u>\$ 185,057</u>

7. DEFERRED REVENUE

During the year, the Centre received payments for services expected to be rendered and events expected to take place in future fiscal periods. Changes in deferred revenue are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of the year	\$ 94,024	\$ 584,320
Add: amounts received during the year	422,375	600,395
Less: amounts recognized as revenue in the year	<u>(475,522)</u>	<u>(1,090,691)</u>
Balance, end of the year	<u>\$ 40,877</u>	<u>\$ 94,024</u>

8. RELATED PARTY TRANSACTIONS

Some of members of the CCES Board of Directors are the members of the True Sport Foundation (the "Foundation"), which operates at an arm's length.

During the year, the Centre recognized \$19,912 (2022 - \$19,912) of revenue from the Foundation for project management services and administrative support. The Centre made no contributions (2022 - \$nil) to the Foundation for reimbursement of expenses. 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 \$2,052 (2022 - \$11,301) receivable from the Foundation. These receivables are subject to normal trade terms.

CANADIAN CENTRE FOR ETHICS IN SPORT
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2023

9. GOVERNMENT ASSISTANCE

In March of 2020, the Government of Canada announced that they would be providing emergency funding in response to measures various businesses were required to take regarding the spread of the COVID-19 pandemic.

The amount of subsidies attributable to the Centre's March 31, 2023 and March 31, 2022 fiscal year are reported below:

	<u>2023</u>	<u>2022</u>
Canadian Emergency Wage Subsidy (CEWS) program	\$ -	\$ 554,792
Canadian Emergency Rent Subsidy (CERS) program	-	70,640
Hardest-Hit Business Recovery Program (HHBRP)	<u>273,651</u>	<u>-</u>
	<u>\$ 273,651</u>	<u>\$ 625,432</u>

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:

2024	\$ 312,090
2025	312,090
2026	312,090
2027	312,090
2028	<u>286,083</u>
	<u>\$ 1,534,443</u>

The Centre has also 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 required costs for 2023-25 is \$1,850,000/annum.