

GYMNASTICS ENERGY TRAINING CENTRE INC.
Financial Statements

For the year ended August 31, 2019

GYMNASTICS ENERGY TRAINING CENTRE INC.
Index to the Financial Statements
Year Ended August 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of GYMNASTICS ENERGY TRAINING CENTRE INC.

Qualified Opinion

I have audited the accompanying financial statements of GYMNASTICS ENERGY TRAINING CENTRE INC., which comprise the financial position as at August 31, 2019, and the statement of operations and changes in net assets and cash flow statement for the year then ended August 31, 2019, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the GYMNASTICS ENERGY TRAINING CENTRE INC. as at August 31, 2019 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 Qualified Opinion

In common with many non-for-profit organizations, the GYMNASTICS ENERGY TRAINING CENTRE INC. derives part of its revenue from community facility usage, fundraising and other revenue and bingo revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether, as at and for the years ended August 31, 2019 and August 31, 2018, any adjustments might be necessary to revenue, excess of expenditures over revenue, assets and net assets. This caused me to qualify my audit opinion on the financial statements for the year ended August 31, 2018.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of Financial Statements section of my report. I am independent of the GYMNASTICS ENERGY TRAINING CENTRE INC. in accordance with ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit 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 GYMNASTICS ENERGY TRAINING CENTRE INC.'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 GYMNASTICS ENERGY TRAINING CENTRE INC. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the GYMNASTICS ENERGY TRAINING CENTRE INC.'s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 GYMNASTICS ENERGY TRAINING CENTRE INC.'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's Responsibilities for the Audit of the Financial Statements (con'd)

- 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 GYMNASTICS ENERGY TRAINING CENTRE INC.'s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the GYMNASTICS ENERGY TRAINING CENTRE INC. 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



NICOLE HENDERSON
PROFESSIONAL CORPORATION
Authorized to practice public
accounting by the Chartered
Professional Accountants of Ontario

February 12, 2020
St. Catharines, Ontario



NICOLE HENDERSON
Professional Corporation
CHARTERED PROFESSIONAL ACCOUNTANT

GYMNASTICS ENERGY TRAINING CENTRE INC.

Statement of Financial Position as at August 31, 2019

	2019	2018
ASSETS		
Current		
Cash	\$399,861	\$590,716
Short-term investment (note 3)	50,092	50,130
Accounts receivable	45,875	45,202
Prepaid expense	41,092	42,694
	<hr/> 536,920	<hr/> 728,742
Capital assets (note 4)		
Gym equipment	309,430	274,129
Office equipment	17,910	10,295
Leasehold improvements	15,897	12,253
	<hr/> 343,237	<hr/> 296,677
Less: accumulated amortization	252,442	228,022
	<hr/> 90,795	<hr/> 68,655
	<hr/> <hr/> \$627,715	<hr/> <hr/> \$797,397

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities	\$104,638	\$36,404
Employee deductions payable	-	18,510
Deferred registration revenue (note 6)	341,735	370,706
Deferred revenue - other	225	375
	<hr/> 446,598	<hr/> 425,995
Net Assets	181,117	371,402
Commitments (note 7)		
Contingent Liabilities (note 8)		
	<hr/> <hr/> \$627,715	<hr/> <hr/> \$797,397

See accompanying notes to the financial statements

On Behalf of the Board of Directors:

Director: _____

Director: _____

GYMNASTICS ENERGY TRAINING CENTRE INC.

Statement of Operations and Changes in Net Assets for the year ended August 31, 2019

	2019	2018
Revenue:		
Registration revenue	\$868,714	\$960,670
Host meet revenue	86,098	115,563
Day camps	68,076	54,964
Training camps	61,435	62,989
Community facility usage	47,035	43,274
Sponsorship revenue	19,900	16,000
Grant revenue	-	750
Fundraising and other revenue	40,464	35,478
Bingo revenue	16,009	15,513
	<hr/> 1,207,731	<hr/> 1,305,201
Operating Expenses:		
Advertising and promotion	10,591	7,294
Bad debt expense	2,634	35,027
Bank and credit card fees	43,839	44,081
Contracted administrative services	7,524	15,524
Fundraising expenses	23,585	17,940
Gym supplies	18,411	15,316
Host meet expenses	32,771	58,676
Insurance	9,040	9,639
Memberships and fees	54,655	62,126
Office expenses	13,002	8,913
Professional fees	17,306	6,624
Rental of facilities	268,787	224,407
Repairs and maintenance	45,138	24,841
Telephone	1,573	1,688
Training	14,242	7,342
Utilities	48,105	38,691
Wages and benefits	762,393	618,160
	<hr/> 1,373,596	<hr/> 1,196,289
Excess of revenue over expenditures (expenditures over revenue) before capital items	(165,865)	108,912
Capital Items (expense):		
Depreciation expense	(24,420)	(17,525)
	<hr/> (24,420)	<hr/> (17,525)
Excess of revenue over expenditures (expenditures over revenue)	(190,285)	91,387
Net assets, beginning of the year	371,402	280,015
	<hr/>	<hr/>
Net assets, end of the year	\$181,117	\$371,402

See accompanying notes to the financial statements

GYMNASTICS ENERGY TRAINING CENTRE INC.

Statement of Cash Flows for the year ended August 31, 2019

	2019	2018
Cash flows from operating activities		
Excess of revenue over expenditures (expenditures over revenue)	(\$190,285)	\$91,387
Items not affecting cash:		
Depreciation expense	24,420	17,525
Changes in non-cash working capital:		
Accounts receivable	(673)	24,446
Prepaid expenses	1,602	812
Accounts payable and accrued liabilities	68,234	(13,581)
Employee deductions payable	(18,510)	(1,046)
Deferred registration revenue	(28,971)	(39,068)
Deferred revenue - other	(150)	(1,839)
Net cash provided by (used in) operating activities	(144,333)	78,636
Cash flows from investing activities		
Purchase of capital assets	(46,560)	(29,749)
Net cash used in investing activities	(46,560)	(29,749)
Net increase (decrease) in cash	(190,893)	48,887
Cash and cash equivalents at the beginning of the year	640,846	591,959
Cash and cash equivalents at the end of the year	\$449,953	\$640,846
Cash and cash equivalents consist of:		
Cash	\$399,861	\$590,716
Short-term investments	50,092	50,130
	\$449,953	\$640,846

See accompanying notes to the financial statements

GYMNASTICS ENERGY TRAINING CENTRE INC.

Notes to Financial Statements

Year Ended August 31, 2019

1. Purpose of the Organization

Gymnastics Energy Training Centre Inc. is incorporated under the laws of Ontario without share capital and operates as a non-profit organization. The purpose of the organization is to organize and operate gymnastic activities at recreational and competitive levels. The organization became incorporated under letters patent on July 1, 2017 and carried on the operations of the previously unincorporated organization.

2. Summary of Significant Accounting Policies

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

(a) Revenue Recognition

The organization 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 contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Registration fees and camps are recognized as revenue when the sessions are held. Fundraising and host meet revenue is recognized as revenue when the events are held.

(b) Cash and Cash Equivalents

The organization's policy is to present bank balances under cash and cash equivalents.

(c) Capital Assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Depreciation is provided on a straight-line basis over the assets' estimated useful lives as follows:

	Rate	Basis
Gym equipment	5 years	Straight-line
Office equipment	5 years	Straight-line
Leasehold improvements	15 years	Straight-line

When a capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-down recognized is not reversed.

GYMNASTICS ENERGY TRAINING CENTRE INC.

Notes to Financial Statements

Year Ended August 31, 2019

2. Summary of Significant Accounting Policies (con'd)

(d) Contributed Services

Contributed services are not recognized in the financial statements due to the difficulty of determining their fair value.

(e) Income Tax Provision

The organization does not provide for income taxes under existing legislation as it is organized and operated exclusively for recreational purposes and no part of income is available for the personal benefit of any of its members.

(f) Use of Estimates

The preparation of the organization's financial statement 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 the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

(g) Financial Instruments

Measurement

The organization initially measures its financial assets and financial liabilities at fair value.

The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

For financial assets subsequently measured at cost or amortized cost, the organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

GYMNASTICS ENERGY TRAINING CENTRE INC.

Notes to Financial Statements

Year Ended August 31, 2019

3. Short-Term Investment

The short-term investment is a GIC which is redeemable on its anniversary date, bears interest at 1.3% and matures on July 11, 2020.

4. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2019	Net Book Value 2018
Gym equipment	\$309,430	\$242,613	\$66,817	\$52,019
Office equipment	17,910	7,744	10,166	5,319
Leasehold improvements	15,897	2,085	13,812	11,317
	<u>\$343,237</u>	<u>\$252,442</u>	<u>\$90,795</u>	<u>\$68,655</u>

5. Line of Credit

The organization has a credit facility consisting of an operating line of credit in the amount of \$15,000. The operating line of credit bears interest at a floating rate of prime +2.0%, monthly payments consist of interest only and the principal is due on demand and is secured by a general security agreement over the total assets of the organization. The balance on the operating line at the year end is nil.

6. Deferred Registration Revenue

Deferred registration revenue represents monies collected as at the year end for sessions to be held subsequent to year end. This revenue is realized when the sessions are held.

	2019	2018
Balance, beginning of year	\$370,706	\$409,774
Received during the year	341,735	370,706
Realized during the year	(370,706)	(409,774)
Balance, ending of year	<u>\$341,735</u>	<u>\$370,706</u>

GYMNASTICS ENERGY TRAINING CENTRE INC.

Notes to Financial Statements

Year Ended August 31, 2019

7. Commitments

The organization is party to a lease agreement for its premises. The lease commenced January 1, 2017 and is for a period of fifteen years and expires December 31, 2031. The monthly lease payment is \$12,500 monthly plus a portion for TMI and HST. The following are the lease payments required for the next five years:

2020	\$254,250
2021	\$254,250
2022	\$261,784
2023	\$265,550
2024	\$265,550

The organization entered into an agreement with a third party on January 9, 2017 to sub-lease a portion of its premises. The agreement requires that Gymnastics Energy Training Centre receive monthly payments of \$1,900 for the first two years and \$1,700 plus a portion of TMI for the remaining three years, and expires January 8, 2022.

Office equipment is leased under agreement with payments currently totalling \$1,188 (plus sales taxes) per year.

8. Contingent Liabilities

There is an outstanding claim that originated from an incident in November, 2015, and remains in progress. As at the auditor's report date, the outcome of this claim is not determinable.

An athlete has filed a claim against the organization for a human rights violation. As at the auditor's report date, the organization has indicated that the final outcome of the claim is not determinable.

9. Financial Instruments

The organization is exposed to various risks through its financial instruments.

Credit risk

For accounts receivable, the organization assesses, on a continuous basis, amounts receivable on the basis of amounts it is virtually certain to receive based on their estimated realizable value. The organization is also exposed to concentration risk in that cash is held at a financial institution in excess of Canadian Deposit Insurance Corporation Limits.

GYMNASTICS ENERGY TRAINING CENTRE INC.

Notes to Financial Statements

Year Ended August 31, 2019

9. Financial Instruments (con'd)

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirement obligations as they come due. The organization manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

10. Comparative Information

Certain comparative information from 2018 have been reclassified to conform to the presentation adopted for 2019.