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## INDEPENDENT AUDITOR'S REPORT

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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 June 30, 2020, and the statement of operations and changes in net assets and cash flow statement for the period then ended June 30, 2020, 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 June 30, 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 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 periods ended June 30, 2020 and August 31, 2019, any adjustments might be necessary to revenue, excess of expenditures over revenue, assets and net assets. This also caused me to qualify my audit opinion on the financial statements for the year ended August 31, 2019.

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.

### **Material Uncertainty Related to Going Concern**

I draw attention to Note 8 in the financial statements, which indicates that GYMNASTICS ENERGY TRAINING CENTRE INC. incurred an excess of expenditures over revenue of \$113,898 during the period ended June 30, 2020 and, as of that date, the current liabilities exceeded the current assets by \$9,110. As stated in Note 8, these events or conditions, along with other matters as set forth in Note 9, indicate that a material uncertainty exists that may cast significant doubt on the organization's ability to continue as a going concern. My opinion is not modified in respect of this

### **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.

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

- 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.
- 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**

May 12, 2021  
St. Catharines, Ontario



**NICOLE HENDERSON**  
*Professional Corporation*  
CHARTERED PROFESSIONAL ACCOUNTANT

**GYMNASTICS ENERGY TRAINING CENTRE INC.**

Statement of Financial Position as at June 30, 2020

	June 30, 2020	August 31, 2019
<b>ASSETS</b>		
Current assets		
Cash	\$27,301	\$399,861
Short-term investment	-	50,092
Accounts receivable	19,732	45,875
Prepaid expense	34,821	41,092
	<u>81,854</u>	<u>536,920</u>
Capital assets (note 3)		
Gym equipment	317,483	309,430
Office equipment	17,910	17,910
Leasehold improvements	15,897	15,897
	<u>351,290</u>	<u>343,237</u>
Less: accumulated amortization	<u>274,961</u>	<u>252,442</u>
	76,329	90,795
	<u>\$158,183</u>	<u>\$627,715</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$51,167	\$104,638
Deferred registration revenue (note 5)	39,797	341,735
Deferred revenue - other	-	225
	<u>90,964</u>	<u>446,598</u>
Net Assets	67,219	181,117
Commitments (note 6)		
Contingent Liabilities (note 7)		
	<u>\$158,183</u>	<u>\$627,715</u>

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 period then ended June 30, 2020

	Sept 1/19 to June 30/20	Sept 1/18 to Aug 31/19
<b>Revenue:</b>		
Registration revenue	\$561,063	\$868,714
Host meet revenue	76,633	86,098
Day camps	6,226	68,076
Training camps	-	61,435
Community facility usage	34,202	47,035
Sponsorship revenue	6,550	19,900
Canada emergency wage subsidy	13,186	-
Fundraising and other revenue	18,937	40,464
Bingo revenue	12,600	16,009
	<hr/> 729,397	<hr/> 1,207,731
<b>Operating Expenses:</b>		
Advertising and promotion	9,697	10,591
Bad debt expense	3,052	2,634
Bank and credit card fees	28,493	43,839
Contracted administrative services	16,128	7,524
Fundraising expenses	5,250	23,585
Gym supplies	8,403	18,411
Host meet expenses	29,465	32,771
Insurance	975	9,040
Mediated settlement	5,000	-
Memberships and fees	26,328	54,655
Office expenses	11,125	13,002
Professional fees	27,082	17,306
Rental of facilities	186,973	268,787
Repairs and maintenance	14,506	45,138
Telephone	2,663	1,573
Training	2,807	14,242
Utilities	35,719	48,105
Wages and benefits	407,110	762,393
	<hr/> 820,776	<hr/> 1,373,596
<b>Excess of expenditures over revenue before capital items</b>	<hr/> (91,379)	<hr/> (165,865)
<b>Capital Items (expense):</b>		
Depreciation expense	(22,519)	(24,420)
	<hr/> (22,519)	<hr/> (24,420)
<b>Excess of expenditures over revenue</b>	<hr/> (113,898)	<hr/> (190,285)
Net assets, beginning of the year	181,117	371,402
	<hr/>	<hr/>
<b>Net assets, end of the year</b>	<hr/> \$67,219	<hr/> \$181,117

See accompanying notes to the financial statements

**GYMNASTICS ENERGY TRAINING CENTRE INC.**

Statement of Cash Flows for the period then ended June 30, 2020

	Sept 1/19 to June 30/20	Sept 1/18 to Aug 31/19
<b>Cash flows from operating activities</b>		
Excess of expenditures over revenue	(\$113,898)	(\$190,285)
Items not affecting cash:		
Depreciation expense	22,519	24,420
Changes in non-cash working capital:		
Accounts receivable	26,143	(673)
Prepaid expenses	6,271	1,602
Accounts payable and accrued liabilities	(53,471)	68,234
Employee deductions payable	-	(18,510)
Deferred registration revenue	(301,938)	(28,971)
Deferred revenue - other	(225)	(150)
Net cash used in operating activities	(414,599)	(144,333)
<b>Cash flows from investing activities</b>		
Purchase of capital assets	(8,053)	(46,560)
Net cash used in investing activities	(8,053)	(46,560)
Net decrease in cash	(422,652)	(190,893)
Cash and cash equivalents at the beginning of the year	449,953	640,846
<b>Cash and cash equivalents at the end of the year</b>	<b>\$27,301</b>	<b>\$449,953</b>
<b>Cash and cash equivalents consist of:</b>		
Cash	\$27,301	\$399,861
Short-term investments	-	50,092
	<b>\$27,301</b>	<b>\$449,953</b>

See accompanying notes to the financial statements

## GYMNASTICS ENERGY TRAINING CENTRE INC.

Notes to Financial Statements  
Year Ended June 30, 2020

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### 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 June 30, 2020

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### 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 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.

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**GYMNASTICS ENERGY TRAINING CENTRE INC.**Notes to Financial Statements  
Year Ended June 30, 2020**3. Capital Assets**

	Cost	Accumulated Amortization	Net Book Value 2020	Net Book Value 2019
Gym equipment	\$317,483	\$261,547	\$55,936	\$66,817
Office equipment	17,910	10,375	7,535	10,166
Leasehold improvements	15,897	3,039	12,858	13,812
	<u>\$351,290</u>	<u>\$274,961</u>	<u>\$76,329</u>	<u>\$90,795</u>

**4. 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.

**5. 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.

	June 30, 2020	August 31, 2019
Balance, beginning of year	\$341,735	\$370,706
Received during the year	39,797	341,735
Realized during the year	(341,735)	(370,706)
Balance, ending of year	<u>\$39,797</u>	<u>\$341,735</u>

## GYMNASTICS ENERGY TRAINING CENTRE INC.

Notes to Financial Statements  
Year Ended June 30, 2020

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### 6. 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:

2021	\$254,250
2022	\$261,784
2023	\$265,550
2024	\$265,550
2025	\$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.

### 7. 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.

### 8. Going Concern

The accompanying financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations, which contemplate the continuance of the organization as a going concern. For the current year, the expenditures exceeded revenue by \$113,898 (2019-\$190,285) and the current liabilities exceeded the current assets by \$9,110. The organization's ability to continue as a going concern is dependent upon its ability to maintain and increase current revenue sources in order to meet current and future obligations. A deficit elimination plan has been developed with the goal of eliminating the deficit over a five year period. The financial statements do not include any adjustments that might be necessary if the organization is unable to continue as a going concern.