

**GYMNASTICS ENERGY BOARD OF DIRECTORS
TRANSITION MEETING SEPTEMBER 9, 2020**

Attendance:

Erin Wiltshire, Tara Becevel, Justine Marsh, Stacey Tallman, Tracy Feduck, Allison Foulser,
Holly Hopkins, Dave Chuchman
Dianne Wright via phone

Gym Finances Historical - Tracy (with assist by Allison)

Tracy presented a history of the state of the gym's finances when she came on board first as a temporary worker, and then later as a permanent hire.

- Documents attached

Standing Agenda for Future Board Meetings and Standing Operating Procedure

Erin explained that we would have a standing agenda for our monthly meetings and outlined the ideal timelines for adding new business to the agenda of 5 days ahead of the meeting. She showed the board the shared drive and what to find in each folder. Items to support an agenda items should be placed in the folder of the month of the meeting for all to see and review in advance to save time.

Choosing of Officer Roles

Erin outlined the roles of the officer position according to the bylaws. A discussion was held where everyone outlined their skill sets and roles they would be comfortable holding based on those skills. After discussion the roles were assigned as follows:

President/ Chair- Erin Wiltshire
Vice-President - Justine Marsh
Treasurer - Allison Foulser
Secretary - Dave Cuchman
Member at Large - Stacey Tallman
WAG Representative - Dianne Wright
MAG Representative - Tara Becevel

Motion to accept the officer roles as listed above. - Erin Wiltshire

Seconded by Allison Foulser

All in favour- motion carried

Gym Finances Current

Erin reported on the state of the finances and Allison added to the discussion with additional details. It was reported that:

- CEWS application is 50% done and for June should be a 75% reimbursement for qualified employees and July-September for all employees. (less deductions)→ August should be opening shortly
- CERCA - September announced - follow with the landlord to see if he will continue to apply and also approach him to see how understanding he will be if we make a proposal to reduce rent for a set period of time moving forward- **Holly & Dave to follow up.**
- Red Cross Grant Application - PPE and COVID-19 reimbursement - \$52,000 requested

- Requested more information and detail
- **Allison and Erin to revisit with Tracy by end of week**
- Trillium grant opportunity due December 2nd - **Ellen/ Stacey/ Grant Committee**

BDC - has loans for businesses and there may be some specifically related to COVID-19 - more favourable terms and up to \$200,000 - **Tara & Justine will follow up to see what is available**

Rentals - outside non-gymnastics groups to rent facility in the off hours - **Everyone - Holly to send out open times to everyone but generally there is no availability except during the day and weekend evenings**

Bankrupt the business and start over - get out of the lease and find a new home. Take a step back

- Value the business - **Erin**
 - Sell the business - name, website, equipment, social media
- Then bankrupt the not-for-profit portion of the business
- General Security agreement from RBC search (**Erin to do**)

Economic Development Officer St.Catharines - ongoing discussions with Dianne and the MPPs

GO talked about asking for grant money for all our clubs during the beginning phases of COVID-19 but has not followed through or announced anything further.

Payroll is our biggest cost and it usually runs about \$26K biweekly but now runs about \$20k biweekly. We have our main staff working only part time and they will not be able to continue to do so once rec is running full time. We will need to increase volunteer hours and also will need to increase their hours soon.

CEBA - \$30,000 due if paid by December 2022 if not we owe \$40,000 but interest terms are favourable.

General Q&A was held for new board members to ask about any issues of the past they had questions about now. Discussions were held about past staff changes and disciplinary actions taken.

The next board meeting was scheduled to cover the normal agenda:
Wednesday September 23rd 7:30 pm

- Pick committees from our members
- Report on Action items related to finances assigned today

Meeting adjourned

APPENDIX A

Financial History in Bookkeeping Office (2017-2020) – Tracy Feduck

I started in November 2017 as a temporary employee to assist the Bookkeeper with getting caught up. At that point, the daily accounting entries were behind by almost 6 months.

Accounting Fiscal Year End

- Informed by the Bookkeeper that the company fiscal year end was changed to June 30, rather than August 31. This decision to change the year end was only made May/June, which is very quick and leaves very little time to prepare everything necessary to make this happen.
- Accounting system (Sage) had to be set up with a different company # that ran with a fiscal year of July 1-June 30. This means that new account numbers need setting up, account links need to be in place and information needs to be downloaded.
- GE previously had 2 company #'s.
 - 1 company # was dormant and hadn't been used in years
 - Other company # was the one being used prior to 2017 and was running on a fiscal year of Sept.1-Aug.31. This company was used until the end of June 2017 and the fiscal year was shortened as the intention was to close that company # and use the dormant one going forward from July 1-2017 onward.
 - Dormant company # was revived to start the new fiscal year running from July 1-June 30
- Bookkeeper got way behind partly because it took some time for the then Treasurer to get the new set up done in the accounting system. Also, she had been off a lot due to personal reasons.
- the GE auditor Accountant had asked if all approvals from the government had been procured prior to the change in fiscal year and was told that we were fine to go ahead by the Treasurers.
- Any approval for a change in fiscal year has to be given by CRA **prior** to the change actually happening, which means that GE should have been given that approval prior to June 30, 2017.
- As the year progressed, the auditing accountant was given financials for Sept 1 2016- June 30 2017 for the company # being closed, so she could complete a stub year tax return for the corporation. Many entries for June 2017 for the "old" company were still not done in the accounting system. Catch up work/entries needed to happen before the accountant could complete the tax return for the short year.
- That "stub year" tax return audit was completed and sent to CRA just prior to the deadline in December 2017.
- December 2017/January 2018 Bookkeeper went on sick leave
- February 2018, when the Bookkeeper returned from sick leave, I was told they didn't need me as a temp anymore and I left to work elsewhere. Things were still not caught up. Clients were still calling frequently regarding errors in charges.
- In April 2018 I was asked to return in a full-time capacity as bookkeeper was leaving.
- Upon returning there was a list of immediate priorities as things were still not up to date etc. (more on that later in document.)
- Shortly after being back, CRA contacted the office to find out why our Corporate Tax Return was a stub year (Sept.2016-June 2017 only). I was told to inform them that we have closed that company number and it was no longer being used.
- Continued working on getting entries for the July 1,2017-June 30, 2018 (with revived dormant company number) caught up and all errors corrected.
- All entries for this fiscal year needed to be double checked as so many errors had occurred and so many entries were missed.
- July 2017-June 30, 2018 files were given to the accountant for the corporate tax return/audit in Oct/Nov 2018 so she could complete before the Dec 30 deadline.

- We were still unaware that we did NOT have approval to change our year end to July 1-June 30.
- The accountant submitted the audit/tax return for July 1, 2017 – June 30, 2018
- In early 2019, the accountant received a call from CRA indicating that she had submitted a corporate tax return/audit that had the wrong fiscal year. They informed her that we would have to submit a letter requesting that our year end be changed. She submitted the letter in the hopes that we could let our year end stand as July 1 – June 30 like we submitted.
- In May of 2019 we received a letter from CRA stating that they had received our request, but could not grant it because our account was not up to date on this company # (previously the dormant company # that was resurrected for the new fiscal year change). (letter attached)
- I contacted CRA to see what the issue was and was told that there were many years of tax returns that needed to be filed (even though there was not revenue those years) from 1999 all the way to 2017) and that we would have to re-file our tax return for 2017-2018 into two tax returns. One stub year of July 1, 2017 (when we started using this company number) to August 31, 2107 (our actual year end) and for Sept. 1, 2017 to August 31, 2018.
- They told us that once all of that was completed, then we would have to resubmit our letter asking permission to change our fiscal year end to June 30. (email attached to accountant and new treasurers).
- We had already paid for the audit from July 1, 2017-June 30, 2018 (\$4500) and would not have to pay to have that year and a stub year re-done (\$5000)
- We had to wait for the re-audit of the previous and were well into the 2018-2019 fiscal year by then, so we could not ask for a year end change for that fiscal. The accountant would have to also do the audit for the 2018-2019 year as a Sept.1, 2018-Aug 31, 2019 fiscal.
- During the fall of 2019, all of this was completed by the accountant and submitted to CRA. Once we received notice that our audit/corporate tax returns were all assessed as being acceptable, the accountant send a request for the change to the fiscal year.
- Finally, we received a letter from CRA at the end of July, 2020 granting permission to change our fiscal year to the July 1-June 30 fiscal. Therefore, we will be doing a stub year fiscal audit/return from September 1, 2019 to June 30, 2020 (transition year) and going forward will be able to report full fiscal years from July 1, to June 30.
- It was brought up during the on-line AGM that the new management/treasurers brought on board with GE in July of 2018 were responsible for seeing through the new fiscal year end change, but this is simply not true. We didn't even know at that point that the proper permissions had not been granted by CRA until early in 2019, when our 2017-2018 audit/return was refused.
- Because approval for this year end change was not completed properly by the previous Treasurers, it cost GE quite a sum of money and a great deal of administrative/accounting time
 - We paid for the accountant to audit and re-audit accounting years (\$4500 + additional \$5000 + extra time the accountant assisted with these issues)
 - We were unable to apply for many grants as most grant applications request 2 years of audited financials, which we could not provide.
 - It also cost us a significant amount of time as there was difficulty running report and compiling numbers to evaluate as our accounting system was set for a July 1-June 30 fiscal year, but our actual fiscal year was Sept 1-Aug 30. We would have to piece numbers together so we could evaluate a full picture of our numbers when discussing costs/revenues year over year.
- **Solution:** now that we have proper approval from CRA to change our fiscal year, we will be submitting a Sept. 1, 2019-June 30, 2020 audit/return and then our 2020-2021 year will be the complete new fiscal year and moving forward from there.

Other Issue to Address when hired full-time in April 2018:

1. **Payroll:** I was asked to do a full payroll audit immediately as it was discovered that some of our 2017 T4's for employee's were incorrect..
 - This was partly due to there being 3 pieces to the T4's in that 2017 year.
 - At the beginning of 2017, the payroll was being done in the Sage accounting system in-house.
 - For Jan-June of 2017, the payroll system that was on the "old" company # had to have separate T4's issued for that company #.
 - From July 1-Dec 2017, payroll was done on Sage with the "new" (resurrected) company #, printing of cheques and signing and remitting by GE was still in place.
 - During the time when payroll was being done in-house, cheques were printed here, signed by Board members and payroll remittances were sent directly by GE. These remittances were frequently late being submitted and many late penalties were paid out as a result, amounting to several thousands of dollars.
 - In Dec 2017 a new payroll system was in the process of being set up. The Treasurer at the time, insisted that this payroll system had to be up and running as soon as possible. The process had been started a couple of months earlier, but because of all the backup in the accounting office it was not up and running yet.
 - Starting a new payroll system in December of a calendar year is generally not a good idea as there would only be a couple of payrolls on the new payroll system. I have worked on payroll at several companies (both large and small) and this is not something I ever saw.
 - As a result, some staff had 2 payrolls in the new system and some staff had only 1 pay in the new system.
 - Because some of the information in the Sage payroll system was not correct, when it was downloaded into the new ADP system, manual corrections on every staff member had to be completed before T4's would be correct. I had helped the Bookkeeper in February of 2018 do all the manual calculations and corrections in the new ADP system, but many of her calculations were incorrect, which resulted in several staff having incorrect T4's.
 - Upon completion of this audit I was asked to do in April when I returned, I discovered that the previous Bookkeeper (who had now left) had paid herself monies on the payroll that she was not entitled to in Sept of 2017. This was during a time when cheques were being printed and signed in-house. I brought this to the Treasurers attention at the time and was told not to discuss this with the other Board members as they wanted to address it with the Board themselves. I feel that this should have been noticed by the signors of the cheques at the time as it was a significant jump in net amount for the Bookkeeper at the time. Her pay cheque, especially, should have been more closely scrutinized as she is the one who inputs the amount to be paid out.
 - Later, in 2018, we were subjected to a CRA payroll audit, likely due to the two rounds of corrections that were done to the 2017 T4's. CRA came to the office and evaluated all of our 2017 payroll (all three parts) and they determined that we owed over \$17,000 in incorrect remittances and late penalties.
 - **Solution:** new payroll system is working well and the new management also implemented a new timeclock punch system that has further streamlined the process. Also, there are several levels of approvals of hours prior to the pay being paid. Additionally, the Bookkeeper does not have the ability to approve the payroll once it is complete. Only the Treasurer and/or President can approve payroll and have their own log-in process to the payroll system so they can review payroll prior to approval.
2. **Competitive Family Accounts**

- I was also asked to check every competitive family's payments from July 2017-May 2018, as there was a concern that some families had missed payments and/or were overcharged.
- Many families had NOT had their credit cards when they should have and as a result some of them owed 2 or 3 month's of fees.
- I had to contact many people to ask how they would like to pay those months in order to get caught up as we only had May and June to complete their contracted payments for the season.
- Many people told me that throughout that year their payments were not consistently being charged at the same time each month and sometimes they were charged two months at a time without their knowledge.
- **Solution:** entire contract for the competitive season is input into our accounting system in the fall, to better be able to track accounts receivable and how many payments each family has paid. Credit card payment list is closely followed, and payments are taken consistently on time.

3. Bank Deposits

- Also in May/June, I discovered that deposits had been made at the bank (both cash and cheques), but had not been entered into our accounting system. This included the entire fiscal from July 2017 right up until May 2018.
- I had to go back and try to figure out what each cheque was for and who from. Most cheques on the deposit just had a name and an amount that had been deposited. It didn't say anything about what the cheque was for etc.
- Some items were easy to figure out (i.e. Family Name & common competitive fee amount), but sometimes it was very complicated.
- This really should have been realized prior in the year as our revenues were way off, but because everything was so far behind we couldn't run proper reports from our accounting system which made it difficult to see total revenues and expenses.
- **Solution:** we have a new process in our accounting system whereby a cheque cannot be deposited unless it has been entered in the accounting system because all bank deposits are done on the accounting system and not written our manually. This was put into place during the 2018-2019 fiscal year and has been working well.

The management that was brought on board and new Treasurers in 2018, 2019 & 2020 have listened to suggestions regarding new financials processes by myself and our accountant. We have implemented new procedures so these past mistakes are not repeated. They have also insisted on new protocols, like separate sign-in procedures for banking, payroll systems, and email that were not in place before July 2018.

The last piece we have been working on prior to COVID shutdown was being able to put into Sage an approved budget that is tied to the accounts in our accounting system. We could not input a specific line by line budget into our accounting system previously due to the fiscal years being off. When I started in 2017 there was no budget that was being followed in the accounting office. Cash flow was discussed and generalized percentage increases on what was being spent on things like equipment, salary and large capital expenditures were approved by the Board.

When I started here, we had Board members in place with designations and yet, all of these things still happened. There were many other issues happening in this office when I was hired full time, but it serves no purpose to focus on those things now. What has been discussed in this document are the *main* financial pieces that I felt needed to be brought to the new Board's attention. I am aware that

there has been an offer by a member to help with anything financial but given the history I have outlined here I respectfully request that the current Board decline this offer for assistance.

I would very much like to stop focusing on the past now and move forward in a positive way with the Management and Board that are current. Please feel free to come into the office and ask any questions, look at any documents you need to, and see how things are being done.

I have attached a few documents to this as back up to the explanation regarding the fiscal year end change as it is quite difficult to follow.

I am happy to have the staff, management and Board that we have in place now, as I feel we have the right group of positive, helpful, team players who are interested in making GE the best it can be.

Tracy Feduck

Bookkeeper