

Financial Statements of

**CANADIAN GYMNASTICS
FEDERATION (GYMNASTICS
CANADA)**

Year ended March 31, 2018

DRAFT

INDEPENDENT AUDITORS' REPORT

To the Directors of Canadian Gymnastics Federation (Gymnastics Canada)

We have audited the accompanying financial statements of Canadian Gymnastics Federation (Gymnastics Canada), which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes and schedules, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Federation's preparation and fair presentation of the financial statements 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 Federation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Gymnastics Federation (Gymnastics Canada) as at March 31, 2018 and its results of operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

date

DRAFT

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Short-term deposits held in trust	\$ 110,613	\$ 122,985
Accounts receivable	1,191,588	796,409
Inventory	160,619	113,847
Prepaid expenses	364,156	175,264
	<u>1,826,976</u>	<u>1,208,505</u>
Tangible capital and intangible assets (note 3)	85,793	93,742
	<u>\$ 1,912,769</u>	<u>\$ 1,302,247</u>
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness	\$ 112,634	\$ 7,086
Accounts payable and accrued liabilities (note 4)	444,758	336,573
Deferred revenue	265,609	6,208
Athletes' funds (note 5)	110,613	122,985
	<u>933,614</u>	<u>472,852</u>
Net assets:		
Internally restricted	893,362	735,653
Investment in tangible capital assets	85,793	93,742
	<u>979,155</u>	<u>829,395</u>
Commitments (note 8)		
	<u>\$ 1,912,769</u>	<u>\$ 1,302,247</u>

See accompanying notes to financial statements.

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Membership fees	\$ 2,620,177	\$ 2,851,257
Events	2,355,451	1,686,886
Government contributions	1,610,465	1,504,800
Program initiatives	386,184	419,745
Marketing, fundraising and merchandising	307,875	262,642
Coaching and sport development	177,990	99,914
	<u>7,458,142</u>	<u>6,825,244</u>
Expenses:		
National teams (schedule)	2,949,063	2,846,400
Events	2,191,313	1,649,809
Administration (schedule)	1,224,503	957,836
Education and sport development	442,781	344,894
Marketing, fundraising and merchandising	310,338	329,360
Coaching and sport development	87,634	-
Safe Sport	50,942	33,337
	<u>7,256,574</u>	<u>6,161,636</u>
Excess of revenue over expenses before extraordinary item	201,568	663,608
Inventory write-down	51,808	71,270
Excess of revenue over expenses (expenses over revenue)	<u>\$ 149,760</u>	<u>\$ 592,338</u>

See accompanying notes to financial statements.

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Internally restricted	Investment in tangible capital assets	Total 2018	Total 2017
Net assets, beginning of year	\$ 735,653	\$ 93,742	\$ 829,395	\$ 237,057
Excess of revenue over expenses (expenses over revenue)	149,760	-	149,760	592,338
Purchase of tangible capital and intangible assets	(36,415)	36,415	-	-
Amortization of tangible capital assets	44,364	(44,364)	-	-
Balance, end of year	\$ 893,362	\$ 85,793	\$ 979,155	\$ 829,395

See accompanying notes to financial statements.

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 149,760	\$ 592,338
Items not involving cash:		
Amortization of tangible capital and intangible assets	44,364	44,508
Write-down of inventory	51,808	71,270
Changes in non-cash operating working capital:		
Accounts receivable	(395,179)	(113,638)
Inventory	(98,580)	54,655
Prepaid expenses	(188,892)	10,528
Accounts payable and accrued liabilities	108,185	(33,648)
Deferred revenue	259,401	5,680
Athletes' funds	(12,372)	28,112
	(81,505)	659,805
Investing activities:		
Tangible capital and intangible asset additions	(36,415)	(47,833)
Net decrease (increase) in investments	12,372	(28,112)
	(24,043)	(75,945)
Decrease (increase) in bank indebtedness	(105,548)	583,860
Bank indebtedness, beginning of year	(7,086)	(590,946)
Bank indebtedness, end of year	\$ (112,634)	\$ (7,086)

See accompanying notes to financial statements.

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Notes to Financial Statements

Year ended March 31, 2018

Canadian Gymnastics Federation (Gymnastics Canada) (the "Federation") is incorporated as a not-for-profit organization without share capital under the laws of Canada. The objectives of the Federation are to direct high performance programs in the pursuit of international excellence, to guide the development of the other competitive programs and to facilitate gymnastics for all. The Federation operates as "Gymnastics Canada Gymnastique". The Federation is a not-for-profit organization and a Registered Amateur Athletic Association within the terms of the Income Tax Act (Canada) and as such is not subject to income taxes.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies.

(a) Revenue recognition:

The Federation follows the deferral method of accounting for contributions for not-for-profit organizations and uses fund accounting. Membership fees and government contributions are recorded in the period to which they relate. Other unrestricted revenues are recorded when they are received or becomes receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The invested in tangible capital and intangible assets fund reports the net investment in tangible capital and intangible assets.

The internally restricted fund represents the amount that the Federation has set aside to safeguard against future catastrophic events. The Federation's goal with respect to the fund is to increase the balance to hold three to six months of regular, recurring expenses plus deferred revenue at year end.

(b) Sport Canada contributions:

Contributions received from Sport Canada, which amounted to \$1,610,465 (2017 - \$1,504,800) are subject to specific terms and conditions regarding the expenditure of the funds. The Federation's accounting records are subject to audit by Sport Canada to identify instances, if any, in which amounts charged against contributions have not complied with the agreed terms and conditions and which, therefore, would be refundable to Sport Canada. Adjustments to prior years' contributions are recorded in the year in which Sport Canada requests the adjustment.

Contributions are accounted for on an accrual basis. Any portion of a contribution that has not been spent for the purpose it was intended is considered refundable to the Federal

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

Government.

(c) Inventory:

Inventory consists of manuals, skill posters and other materials held for resale and is measured at the lower of cost and net realizable value. Costs are assigned on a first-in, first-out basis.

(d) Tangible capital and intangible assets:

Tangible capital and intangible asset are stated at cost. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital or intangible asset no longer contributes to the Federation's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Computer equipment	Straight-line	20% to 30%
Gym equipment	Straight-line	20% to 30%
Computer software	Straight-line	20% to 30%
Office equipment	Declining balance	30%

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Federation has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Federation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Federation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of these financial statements 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Line of credit:

The line of credit is payable on demand and provides for advances of up to \$470,000. Interest is payable monthly, calculated at bank prime rate plus 1.875% per annum. All assets of the Federation are pledged as security for the line of credit. At year end, \$112,634 (2017 - \$7,086) was drawn on the advance.

3. Tangible capital and intangible assets:

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Tangible capital and intangible assets (continued):

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	\$ 90,421	\$ 84,295	\$ 6,126	\$ 9,202
Gym equipment	71,006	35,755	35,251	49,452
Office equipment	24,822	9,029	15,793	-
Intangible assets:				
Computer software	47,407	18,784	28,623	35,088
	\$ 233,656	\$ 147,863	\$ 85,793	\$ 93,742

Cost and accumulated amortization of tangible capital and intangible assets at March 31, 2017 amounted to \$356,976 and \$263,234, respectively.

During the year, the Federation wrote off fully amortized computer equipment assets of \$159,735.

4. Accounts payable and accrued liabilities:

As at March 31, 2018 and 2017, there were no government remittances included in accounts payable and accrued liabilities, such as payroll-related remittances or harmonized sales tax.

5. Athletes' funds:

The Athletes' funds represent promotional fees received on behalf of individual athletes which are designated for the reimbursement of training and competition expenses of the athlete. The Federation holds the funds on the athletes' behalf in accordance with the guidelines of the Canada Revenue Agency.

Athletes' reserve fund cash is recorded at fair value.

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Deferred revenue:

Deferred revenue consists of various event registrations and membership fees collected in the current year that pertain to future years.

	2018	2017
Balance, beginning of year	\$ 6,208	\$ 528
Plus: amount received related to the following year	259,401	5,680
	<u>\$ 265,609</u>	<u>\$ 6,208</u>

7. Related party transactions:

Artistic Gymnastics World Championships 2017 (2017 AGWC) is a not-for-profit organization that was incorporated on January 8, 2015. Its mission is to organize and manage the 2017 FIG Artistic World Championships to take place in Montreal, Quebec. Half of the board of directors of 2017 AGWC are also on the board of the Federation and the other half are from the board of Gymnastics Quebec.

During the year the Federation provided Sport Canada funding in the amount of \$1,620,000 (2017 - \$1,115,000) to 2017 AGWC. This amount is included in events revenue and expense of the Federation for the year. Any surplus or deficit resulting from the event will be divided equally between the Federation and Gymnastics Quebec.

2017 AGWC has not been consolidated in these financial statements. Financial statements of 2017 AGWC are available upon request. Certain financial information related to 2017 AGWC is as follows:

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Related party transactions (continued):

	2018	2017
Total assets	\$ 1,052,348	\$ 1,473,665
Total liabilities	914,946	1,274,904
Accumulated surplus (deficit)	\$ 137,402	\$ 198,761
	2018	2017
Total revenue	\$ 12,075,585	\$ 2,158,074
Total expenses	12,136,944	1,620,629
Net earnings (loss)	\$ (61,359)	\$ 537,445

8. Commitments:

The Federation has a lease commitment for office space which expires on December 31, 2020. Minimum annual lease payments until the end of the lease are as follows:

2019	\$ 51,000
2020	53,800
	\$ 104,800

9. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Federation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Federation manages its liquidity risk by monitoring its operating requirements. The Federation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Financial instruments (continued):

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Federation is exposed to credit risk with respect to the accounts receivable. The Federation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

At year-end, \$615 (2017 - \$615) was allowed for in accounts receivable.

(c) Interest rate risk:

The Federation believes it is not subject to significant interest rate risk arising from its financial instruments.

There has been no change to the risk exposures from 2017.

10. Comparative information:

Certain 2017 information has been reclassified to conform with the financial statement presentation adopted for the current year.

CANADIAN GYMNASTICS FEDERATION (GYMNASTICS CANADA)

Schedule of National Teams Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Women's Artistic Program	\$ 804,071	\$ 809,166
Men's Artistic Programs	594,075	619,222
Trampoline Program	1,048,588	949,514
Rhythmic Program	502,329	468,498
	\$ 2,949,063	\$ 2,846,400

Schedule of Administration Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Amortization of capital assets	\$ 44,364	\$ 44,509
Annual general meeting	52,136	41,626
Bad debts	3,049	5,239
Bank charges, merchant fees and interest	24,680	33,546
Board and standing committees	20,116	25,260
Information technology	56,070	27,977
Insurance fees and contract services	106,854	55,032
Membership and miscellaneous	14,266	10,933
National Team uniforms	54,343	77,458
Office facility	136,383	139,257
Official languages	18,260	20,343
Other office	24,668	27,707
Professional fees	70,423	20,949
PTO services	102,063	14,689
Salaries and benefits	431,481	321,958
Telephone and cell	26,548	29,929
Travel	36,413	54,331
Warehousing	2,386	7,093
	\$ 1,224,503	\$ 957,836