

Financial Statements of

**CANADIAN GYMNASTICS
FEDERATION**

(OPERATING AS GYMNASTICS CANADA
GYMNASTIQUE)

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Directors of Canadian Gymnastics Federation (operating as Gymnastics Canada Gymnastique)

Opinion

We have audited the financial statements of Canadian Gymnastics Federation (operating as Gymnastics Canada Gymnastique) ("GymCan"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GymCan as at March 31, 2019 and its results of 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 '***Auditors' Responsibilities for the Audit of the Financial Statements***' section of our auditors' report.

We are independent of GymCan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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.

In preparing the financial statements, management is responsible for assessing GymCan'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 GymCan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing GymCan's financial reporting process.

Auditors' 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 auditors' 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 the 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 GymCan'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 GymCan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause GymCan 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 10, 2019

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Restricted investments (note 2)	\$ 279,651	\$ 260,000
Accounts receivable (note 3)	1,131,813	941,588
Inventory	127,940	160,619
Prepaid expenses	702,381	364,156
Short-term deposits held in trust (note 7)	129,575	110,613
	<u>2,371,360</u>	<u>1,836,976</u>
Tangible capital and intangible assets (note 5)	78,297	85,793
	<u>\$ 2,449,657</u>	<u>\$ 1,922,769</u>

Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 4)	\$ 76,652	\$ 122,634
Accounts payable and accrued liabilities (note 6)	247,460	444,759
Athletes' funds (note 7)	129,575	110,613
Deferred revenue (note 8)	1,044,940	265,609
	<u>1,498,627</u>	<u>943,615</u>
Net assets:		
Internally restricted	872,733	893,361
Investment in tangible capital assets	78,297	85,793
	<u>951,030</u>	<u>979,154</u>
Commitments (note 10)		
	<u>\$ 2,449,657</u>	<u>\$ 1,922,769</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Membership fees	\$ 2,507,174	\$ 2,620,177
Government contributions	1,697,000	1,610,465
Program initiatives	824,096	386,184
Events	815,128	2,445,451
Marketing, fundraising and merchandising	421,024	217,875
Coaching and sport development	230,497	177,990
	<u>6,494,919</u>	<u>7,458,142</u>
Expenses:		
National teams (schedule)	3,564,999	2,949,063
Administration (schedule)	923,811	1,172,794
Events	725,450	2,191,313
Education and sport development	578,702	530,416
Marketing, fundraising and merchandising	511,498	310,338
Safe sport	195,557	102,651
	<u>6,500,017</u>	<u>7,256,575</u>
Excess (deficiency) of revenues over expenses on general operations for the year	(5,098)	201,567
Other income/expenses:		
Unrealized gain (loss) on investments	(5,600)	-
Inventory write-down	(17,426)	(51,808)
	<u>(23,026)</u>	<u>(51,808)</u>
Excess (deficiency) of revenue over expenses	\$ (28,124)	\$ 149,759

See accompanying notes to financial statements.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Internally restricted	Investment in tangible capital assets	Total 2019	Total 2018
Net assets, beginning of year	\$ 893,361	\$ 85,793	\$ 979,154	\$ 829,395
Excess of revenue over expenses (expenses over revenue)	(28,124)	-	(28,124)	149,759
Purchase of tangible capital and intangible assets	(35,835)	35,835	-	-
Amortization of tangible capital assets	43,331	(43,331)	-	-
Balance, end of year	\$ 872,733	\$ 78,297	\$ 951,030	\$ 979,154

See accompanying notes to financial statements.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ (28,124)	\$ 149,759
Items not involving cash:		
Amortization of tangible capital and intangible assets	43,331	44,364
Inventory write-down	17,426	51,808
Unrealized gain (loss) on investments	5,600	-
Changes in non-cash operating working capital:		
Accounts receivable	(190,225)	(145,179)
Inventory	15,253	(98,580)
Prepaid expenses	(338,225)	(188,892)
Accounts payable and accrued liabilities	(197,299)	108,186
Deferred revenue	779,331	259,401
	107,068	180,867
Investing activities:		
Tangible capital and intangible asset additions	(35,835)	(36,415)
Restricted investments	(25,251)	(250,000)
Short-term deposits held in trust	(18,962)	12,372
Athletes' funds	18,962	(12,372)
	(61,086)	(286,415)
Decrease (increase) in bank indebtedness	45,982	(105,548)
Bank indebtedness, beginning of year	(122,634)	(17,086)
Bank indebtedness, end of year	\$ (76,652)	\$ (122,634)

See accompanying notes to financial statements.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements

Year ended March 31, 2019

Canadian Gymnastics Federation (operating as Gymnastics Canada Gymnastique) ("GymCan") is incorporated as a not-for-profit organization without share capital under the laws of Canada. The objectives of GymCan 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. GymCan 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:

GymCan 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 become 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 GymCan has set aside to safeguard against future catastrophic events. GymCan'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 net of prepaid expenses at year end. The minimum target fund balance for the 2019 year end is \$1,238,000.

(b) Sport Canada contributions:

Contributions received from Sport Canada, which amounted to \$1,697,000 (2018 - \$1,610,465) are subject to specific terms and conditions regarding the expenditure of the funds. GymCan'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.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(b) Sport Canada contributions (continued):

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 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 assets 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 GymCan'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. GymCan 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.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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, GymCan 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 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 GymCan 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.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2019

2. Restricted investments:

Restricted investments consist of funds held by the Canadian Olympic Committee (COC) and the Community Foundation of Ottawa on behalf of GymCan. Amounts invested with the COC are pooled with other funds to maximize income earned and may be withdrawn at any time. Funds held by the Community Foundation of Ottawa are held in perpetuity. Any net investment income earned is accumulated within the fund; disbursements from the fund are to be used to support the charitable activities of GymCan.

	2019		2018	
	Cost	Market	Cost	Market
Pooled funds - COC	\$ 275,251	\$ 269,651	\$ 250,000	\$ 250,000
Endowment fund - CFO	10,000	10,000	10,000	10,000
	\$ 285,251	\$ 279,651	\$ 260,000	\$ 260,000

3. Accounts receivable:

	2019	2018
Cost sharing activities	\$ 501,103	\$ 291,500
Membership dues	172,776	355,407
Other receivables	138,136	111,580
Government contributions and tax refunds	320,413	183,717
	1,132,428	942,204
Provision for doubtful accounts	(615)	(615)
	\$ 1,131,813	\$ 941,589

4. 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 GymCan are pledged as security for the line of credit. At year end, \$76,652 (2018 - \$122,634) was drawn on the advance.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2019

5. Tangible capital and intangible assets:

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	\$ 100,603	\$ 92,236	\$ 8,367	\$ 6,126
Gym equipment	97,718	45,477	52,241	35,251
Office equipment	23,763	17,283	6,480	15,793
Intangible assets:				
Computer software	47,407	36,198	11,209	28,623
	\$ 269,491	\$ 191,194	\$ 78,297	\$ 85,793

Cost and accumulated amortization of tangible capital and intangible assets at March 31, 2018 amounted to \$233,656 and \$147,863, respectively.

6. Accounts payable and accrued liabilities:

As at March 31, 2019 and 2018, there were no government remittances included in accounts payable and accrued liabilities, such as payroll-related remittances or harmonized sales tax.

7. 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. GymCan 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 on the statement of financial position as short-term deposits held in trust.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Deferred revenue:

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

	2019	2018
World Gymnaestrada (2018 - Canadian Gymnaestrada)	\$ 936,820	\$ 173,688
Women's artistic gymnastics	52,744	-
Rhythmic gymnastics	40,471	-
Events	8,405	100
Men's artistic gymnastics	6,500	-
Branding	-	54,726
Acrobatics	-	37,115
	\$ 1,044,940	\$ 265,609

9. 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 GymCan and the other half are from the board of Gymnastics Quebec.

During the year GymCan provided Sport Canada funding in the amount of \$Nil (2018 - \$1,620,000) to 2017 AGWC. This amount is included in events revenue and expense of GymCan for the year. Any surplus or deficit resulting from the event will be divided equally between GymCan and Gymnastics Quebec.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2019

9. Related party transactions (continued):

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:

	2019	2018
Total assets	\$ 99,422	\$ 1,052,348
Total liabilities	4,151	914,946
Accumulated surplus	\$ 95,271	\$ 137,402

	2019	2018
Total revenue	\$ -	\$ 12,075,585
Total expenses	19,228	12,136,944
Net earnings (loss)	\$ (19,228)	\$ (61,359)

10. Commitments:

GymCan 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:

2020	\$ 53,800
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11. Financial instruments:

(a) Liquidity risk:

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

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. 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. GymCan is exposed to credit risk with respect to the accounts receivable. GymCan 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 (2018 - \$615) was allowed for in accounts receivable.

(c) Interest rate risk:

GymCan believes it is not subject to significant foreign currency, interest rate or other price risks arising from its financial instruments.

There has been no change to the risk exposures from 2018.

12. Comparative information:

Certain 2018 information has been reclassified to conform with the financial statement presentation adopted for the current year.

CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Schedule of National Teams Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Women's Artistic Program	\$ 957,848	\$ 804,071
Men's Artistic Programs	884,757	594,075
Trampoline Program	1,089,810	1,048,588
Rhythmic Program	632,584	502,329
	<u>\$ 3,564,999</u>	<u>\$ 2,949,063</u>

Schedule of Administration Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Amortization of capital assets	\$ 43,331	\$ 44,364
Annual general meeting	31,771	52,136
Bad debts	674	3,049
Bank charges, merchant fees and interest	27,365	24,680
Board and standing committees	37,889	20,116
Information technology	58,646	56,070
Insurance fees and contract services	47,132	74,902
Membership and miscellaneous	5,804	14,266
National Team uniforms	18,808	54,343
Office facility	139,247	136,383
Official languages	8,446	18,260
Other office	33,737	56,620
Professional fees	57,983	18,714
PTO services (recovery)	(38,053)	102,063
Salaries and benefits	346,500	431,481
Telephone and cell	31,961	26,548
Domestic & International Travel - Sr Mgt	65,468	36,413
Warehousing	7,102	2,386
	<u>\$ 923,811</u>	<u>\$ 1,172,794</u>