

Financial Statements of

**CANADIAN GYMNASTICS  
FEDERATION**

(OPERATING AS GYMNASTICS CANADA  
GYMNASTIQUE)

And Independent Auditors' Report thereon

Year ended March 31, 2020



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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, 2020
- 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, 2020 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*

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

August 6, 2020

# CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 19,428	\$ -
Restricted investments (note 2)	319,693	279,651
Accounts receivable (note 3)	777,674	1,131,813
Inventory	103,641	127,940
Prepaid expenses	224,614	702,381
Short-term deposits held in trust (note 7)	147,065	129,575
	<u>1,592,115</u>	<u>2,371,360</u>
Tangible capital and intangible assets (note 5)	104,196	78,297
	<u>\$ 1,696,311</u>	<u>\$ 2,449,657</u>

## Liabilities and Net Assets

Current liabilities:		
Bank indebtedness (note 4)	\$ -	\$ 76,652
Accounts payable and accrued liabilities (note 6)	431,949	247,460
Athletes' funds (note 7)	147,065	129,575
Deferred revenue (note 8)	38,569	1,044,940
	<u>617,583</u>	<u>1,498,627</u>
Net assets:		
Internally restricted	974,532	872,733
Investment in tangible capital assets	104,196	78,297
	<u>1,078,728</u>	<u>951,030</u>
Commitments (note 9)		
Impact of COVID-19 (note 12)		
	<u>\$ 1,696,311</u>	<u>\$ 2,449,657</u>

See accompanying notes to financial statements.

# CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Membership fees	\$ 2,508,597	\$ 2,507,174
Government contributions	2,068,826	1,697,000
Events	1,905,198	770,128
Program initiatives	647,734	824,096
Marketing, fundraising and merchandising	401,855	466,024
Coaching and sport development	163,138	230,497
	<u>7,695,348</u>	<u>6,494,919</u>
Expenses:		
National teams (schedule)	3,511,360	3,564,999
Events	1,895,179	728,767
Administration (schedule)	1,234,485	980,687
Education and sport development	413,954	575,385
Marketing, fundraising and merchandising	320,609	490,239
Safe sport	106,818	159,940
	<u>7,482,405</u>	<u>6,500,017</u>
Excess (deficiency) of revenues over expenses on general operations for the year	212,943	(5,098)
Other expenses:		
Unrealized loss on investments (note 2)	(4,701)	(5,600)
Inventory write-down	(80,544)	(17,426)
	<u>(85,245)</u>	<u>(23,026)</u>
Excess (deficiency) of revenue over expenses	\$ 127,698	\$ (28,124)

See accompanying notes to financial statements.

# CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

## Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Internally restricted	Investment in tangible capital assets	Total 2020	Total 2019
Net assets, beginning of year	\$ 872,733	\$ 78,297	\$ 951,030	\$ 979,154
Excess (deficiency) of revenue over expenses	127,698	-	127,698	(28,124)
Purchase of tangible capital and intangible assets	(69,727)	69,727	-	-
Amortization of tangible capital assets	43,828	(43,828)	-	-
Balance, end of year	\$ 974,532	\$ 104,196	\$ 1,078,728	\$ 951,030

See accompanying notes to financial statements.

# CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

## Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 127,698	\$ (28,124)
Items not involving cash:		
Amortization of tangible capital and intangible assets	43,828	43,331
Inventory write-down	80,544	17,426
Unrealized loss on investments	4,701	5,600
Changes in non-cash operating working capital:		
Accounts receivable	354,139	(190,225)
Inventory	(56,245)	15,253
Prepaid expenses	477,767	(338,225)
Accounts payable and accrued liabilities	184,489	(197,299)
Deferred revenue	(1,006,371)	779,331
	210,550	107,068
Investing activities:		
Tangible capital and intangible asset additions	(69,727)	(35,835)
Restricted investments	(44,743)	(25,251)
Short-term deposits held in trust	(17,490)	(18,962)
Athletes' funds	17,490	18,962
	(114,470)	(61,086)
Increase in cash	96,080	45,982
Bank indebtedness, beginning of year	(76,652)	(122,634)
Cash (bank indebtedness), end of year	\$ 19,428	\$ (76,652)

See accompanying notes to financial statements.



# CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements

Year ended March 31, 2020

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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 set in 2019 is \$1,238,000.

### (b) Sport Canada contributions:

Contributions received from Sport Canada, which amounted to \$2,068,826 (2019 - \$1,697,000) 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, 2020

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## 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, 2020

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## 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, 2020

## 2. Restricted investments:

Restricted investments consist of funds held by the Canadian Olympic Committee (COC) and the Community Foundation of Ottawa (CFO) 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 CFO 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. Investment income earned and management fees charged are included with the bank charges, merchant fees and interest on the Schedule of Administration expenses.

	2020	2019
COC:	Market	Market
Opening	\$ 269,651	\$ 250,000
Contributions to fund	10,500	-
Investment income earned	37,220	25,251
Investment management fees	(2,977)	-
Unrealized loss	(4,701)	(5,600)
Subtotal, COC:	309,693	269,651
Plus CFO endowment	10,000	10,000
Ending market value	\$ 319,693	\$ 279,651

## 3. Accounts receivable:

	2020	2019
Cost sharing activities	\$ 277,557	\$ 501,103
Membership dues	221,136	172,776
Other receivables	173,769	138,136
Government contributions and tax refunds	105,827	320,413
	778,289	1,132,428
Provision for doubtful accounts	(615)	(615)
	\$ 777,674	\$ 1,131,813

# CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 4. Line of credit:

The line of credit is payable on demand and provides for advances of up to \$580,000. 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, \$19,428 (2019 - \$76,652) was drawn on the advance.

## 5. Tangible capital and intangible assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Tangible capital assets:				
Computer equipment	\$ 23,763	\$ 23,763	\$ -	\$ 8,367
Gym equipment	158,094	62,742	95,352	52,241
Office equipment	109,954	101,110	8,844	6,480
Intangible assets:				
Computer software	47,407	47,407	-	11,209
	<u>\$ 339,218</u>	<u>\$ 235,022</u>	<u>\$ 104,196</u>	<u>\$ 78,297</u>

Cost and accumulated amortization of tangible capital and intangible assets at March 31, 2019 amounted to \$269,491 and \$191,194, respectively.

## 6. Accounts payable and accrued liabilities:

As at March 31, 2020 and 2019, 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, 2020

## 8. Deferred revenue:

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

	2020	2019
Women's artistic gymnastics	\$ 14,816	\$ 52,744
Events	10,000	8,405
Rhythmic gymnastics	4,278	40,471
TG Pacific Rim	5,250	-
Acrobatics	4,225	-
World Gymnaestrada (2018 - Canadian Gymnaestrada)	-	936,820
Men's artistic gymnastics	-	6,500
	\$ 38,569	\$ 1,044,940

## 9. Commitments:

GymCan has a lease commitment for office space which expires on December 31, 2020. Minimum annual lease payments including approximate operating costs until the end of the lease are as follows:

2021	\$ 106,434
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## 10. 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, 2020

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## 10. 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 (2019 - \$615) was allowed for in accounts receivable.

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

## 11. Comparative information:

Certain 2019 information has been reclassified to conform with the financial statement presentation adopted for the current year.

## 12. Impact of COVID-19:

In March of 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The situation is fluid and the ultimate duration and magnitude of the impact on the economy and on all aspects of operations are unknown.

Management has undertaken strategies and actions to respond to the pandemic. Management furloughed the majority of GymCan employees, invoked a work-from-home regime for non-furloughed employees, suspended all domestic and international travel and shifted face-to-face meetings to digital methods.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

# CANADIAN GYMNASTICS FEDERATION

(OPERATING AS GYMNASTICS CANADA GYMNASTIQUE)

## Schedule of National Teams Expenses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Women's Artistic Program	\$ 1,095,268	\$ 957,848
Trampoline Program	1,033,830	1,089,810
Rhythmic Program	784,202	632,584
Men's Artistic Programs	598,060	884,757
	<u>\$ 3,511,360</u>	<u>\$ 3,564,999</u>

## Schedule of Administration Expenses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Amortization of capital assets	\$ 43,828	\$ 43,331
Annual general meeting	32,315	31,771
Bad debts	6,591	674
Bank charges, merchant fees and interest	33,332	27,365
Board and standing committees	79,650	60,176
Domestic and international travel - senior management	51,352	65,468
Information technology	53,362	59,218
Insurance fees and contract services	92,655	72,551
Legal fees - case management	190,237	81,916
Legal fees - operations	22,038	28,926
Membership and miscellaneous	14,818	27,063
National Team uniforms	27,463	18,808
Office facility	152,375	146,320
Official languages	14,814	8,446
Other - INSQ	45,761	33,194
PTO services (recovery)	10,626	(38,053)
Salaries and benefits	335,998	281,552
Telephone and cell	27,270	31,961
	<u>\$ 1,234,485</u>	<u>\$ 980,687</u>