

**KEY CITY GYMNASTICS CLUB
FINANCIAL STATEMENTS
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2020**

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INDEPENDENT PRACTITIONERS' REVIEW ENGAGEMENT REPORT

**To the Board Members:
Key City Gymnastics Club**

We have reviewed the accompanying financial statements of Key City Gymnastics Club that comprise the statement of financial position as at August 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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.

Practitioners' Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of Key City Gymnastics Club as at August 31, 2020, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Apex Accounting

Chartered Professional Accountants

Cranbrook, BC
March 10, 2021

KEY CITY GYMNASTICS CLUB
STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT AUGUST 31, 2020

	2020	2019
ASSETS		
Current		
Cash	\$ 146,156	\$ 133,509
Accounts receivable (Note 2)	38,572	27,589
Inventory	7,401	7,549
Prepaid expenses	10,896	14,003
	<u>203,025</u>	182,650
Tangible capital assets (Note 3)	<u>38,792</u>	37,365
	<u>\$ 241,817</u>	<u>\$ 220,015</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 90,371	\$ 42,635
Deferred revenue (Note 5)	749	71,081
Deferred capital contributions (Note 6)	18,167	-
	<u>109,287</u>	113,716
CEBA loan (Note 7)	<u>30,000</u>	-
	<u>139,287</u>	113,716
NET ASSETS		
Invested in tangible capital assets	26,401	37,565
Unrestricted	76,129	68,734
	<u>102,530</u>	106,299
	<u>\$ 241,817</u>	<u>\$ 220,015</u>

See accompanying notes to the financial statements

On behalf of the Board: _____ Director

_____ Director

**KEY CITY GYMNASTICS CLUB
STATEMENT OF OPERATIONS
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019
REVENUE		
Programs	\$ 364,529	\$ 590,526
Fundraising	60,075	64,105
Meet and show revenue	58,649	58,193
Wage subsidy and forgivable portion of CEBA loan	57,753	-
Gaming grant	48,000	56,300
Amortization on deferred contributions	4,620	-
Other grant	1,238	-
Gain on sale of tangible capital assets	575	200
Interest	143	168
	<u>595,582</u>	<u>769,492</u>
EXPENDITURES		
Accounting and legal	12,963	16,162
Advertising and promotion	4,678	3,591
Amortization	18,749	18,390
Bad debt	1,833	3,057
Bank charges	21,783	25,522
Choreography	3,791	5,693
Dues, memberships and licenses	700	1,936
Fundraising	44,477	52,814
Insurance	4,184	3,816
Janitorial	15,925	17,631
Meet and show expense	34,190	35,274
Office	18,966	12,497
Programs	9,506	10,007
Rent	90,334	117,587
Repairs and maintenance	7,741	7,524
Telephone	2,684	2,591
Training	-	487
Travel	2,254	554
Utilities	9,801	11,097
Wages and employee benefits	294,792	406,954
	<u>599,351</u>	<u>753,184</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE FOR THE YEAR	\$ (3,769)	\$ 16,308

See accompanying notes to the financial statements

KEY CITY GYMNASTICS CLUB
STATEMENT OF CHANGES IN NET ASSETS
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2020

	2020			2019
	Invested in Tangible Capital Assets	Unrestricted	Total	Total
NET ASSETS , beginning of year	\$ 37,565	\$ 68,734	\$ 106,299	\$ 89,991
Excess (deficiency) of revenue over expenditure for the year	(13,554)	9,785	(3,769)	16,308
Purchase of equipment	2,390	(2,390)	-	-
NET ASSETS , end of year	\$ 26,401	\$ 76,129	\$ 102,530	\$ 106,299

See accompanying notes to the financial statements

**KEY CITY GYMNASTICS CLUB
STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Cash received from programming, fundraising and others	\$ 531,715	\$ 775,504
Cash paid to suppliers and employees	(529,610)	(740,507)
Interest received	143	168
	<u>2,248</u>	<u>35,165</u>
INVESTING ACTIVITIES		
Purchase of equipment	(20,176)	(6,089)
Proceeds from sale of equipment	575	200
	<u>(19,601)</u>	<u>(5,889)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	<u>30,000</u>	-
INCREASE IN CASH FOR THE YEAR	12,647	29,276
CASH, beginning of year	<u>133,509</u>	<u>104,233</u>
CASH, end of year	\$ 146,156	\$ 133,509

See accompanying notes to the financial statements

KEY CITY GYMNASTICS CLUB
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
AUGUST 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

b) NATURE OF BUSINESS

The Club is a not-for-profit organization incorporated under the laws of British Columbia and its principal activity is that of a gymnastics club.

c) FINANCIAL INSTRUMENTS

Measurement of financial instruments

The Club initially measures its financial assets and financial liabilities at fair value. The Club subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and long-term debt.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

d) INVENTORY

Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on a first-in, first-out basis.

e) TANGIBLE CAPITAL ASSETS

Equipment is recorded at cost. Equipment acquired prior to July 31, 2007, is not reflected in the financial statements.

Amortization of all tangible capital assets is provided on a straight-line basis over an estimated useful life of five years.

KEY CITY GYMNASTICS CLUB
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
AUGUST 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) IMPAIRMENT OF LONG-LIVED ASSETS

The Club assesses long-lived assets for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and disposal. The amount of the loss is determined by deducting the assets fair value from its carrying amount.

g) REVENUE RECOGNITION

The Club follows the deferral method of accounting for contributions. Under this method, restricted contributions related to expenses in future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to the purchase of equipment are deferred and recognized as revenue as the equipment is amortized.

Program and gaming revenue is recognized as it is earned. Meet and show revenue is recognized at the time of the event. Fundraising, donation and insurance revenue is recognized as it is received.

h) CONTRIBUTED SERVICES

Volunteers contribute many hours each year to assist the Club. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

i) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they became known. Significant estimates for the Club include calculation of allowance for doubtful accounts, estimated useful life of the equipment and deferred revenues.

KEY CITY GYMNASTICS CLUB
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
AUGUST 31, 2020

2. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 45,286	\$ 34,303
Allowance for doubtful accounts	<u>(6,714)</u>	<u>(6,714)</u>
	<u>\$ 38,572</u>	<u>\$ 27,589</u>

During the year, the Club recorded impairments of \$1,833 (2018 - \$3,057) that have been included in bad debt expense. No bad debt recoveries occurred in the year, or previous year.

3. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2020</u>	<u>Net 2019</u>
Equipment	\$ 197,991	\$ 159,199	\$ 38,792	\$ 37,365

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include government remittances payable of \$8,373 (2019 - \$8,119).

KEY CITY GYMNASTICS CLUB

NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)
AUGUST 31, 2020

5. DEFERRED REVENUE

Deferred revenue represents restricted operating funding and program fees received in the year which are related to expenses in future periods. Changes in the deferred revenue balance are as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 71,081	\$ 57,300
Add: amount received during the year	749	71,081
Less: amount recognized as revenue in the year	<u>(71,081)</u>	<u>(57,300)</u>
Ending balance	<u>\$ 749</u>	<u>\$ 71,081</u>

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions represents the unamortized balance of externally restricted funding used to purchase capital assets. These contributions are recognized as revenue in future periods on the same basis as the amortization of the related capital assets. Changes in deferred capital contributions are as follows:

	<u>2020</u>	<u>2019</u>
Capital funding received	\$ 22,787	\$ -
Amortized to revenue	<u>(4,620)</u>	<u>-</u>
Ending balance	<u>\$ 18,167</u>	<u>\$ -</u>

7. CEBA LOAN

The Club holds a forgivable loan from the Government of Canada as part of the COVID-19 Economic Response Plan. Under the terms of the agreement, if the loan is repaid on or before December 31, 2022, up to \$10,000 will be forgiven. The Club expects the loan to be repaid on or before December 31, 2022. The forgiven amount has been recognized as income in the year received.

KEY CITY GYMNASTICS CLUB NOTES TO FINANCIAL STATEMENTS

(UNAUDITED)
AUGUST 31, 2020

8. BANK OVERDRAFT

The Club has an authorized bank overdraft of \$10,000 with no balance drawn at year end. Bank overdraft is secured by a general security agreement. Interest is paid monthly at prime plus 3.00%. The credit agreement includes covenants whereby the Club must provide annual financial statements within 120 days of the fiscal year end and maintain working capital ratio of 1 to 1, debt to equity ratio of 3 to 1 and a debit service coverage of a minimum of 1.2.

9. COMMITMENT

The Club has leased a building with an expiry date of December 31, 2022. The commitment is an aggregate base rent of \$226,398 plus the annual property taxes. Rental payments required on the commitment for the next three years are due as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 97,032
2022	97,032
2023	<u>32,334</u>
	<u>\$ 226,398</u>

10. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Club is exposed to various risks through its financial instruments. The following analysis provides a measure of the Club's risk exposure and concentrations at August 31, 2020.

Liquidity Risk

Liquidity risk is the risk that the Club will encounter difficulty in meeting obligations associated with financial liabilities. The Club is exposed to this risk mainly in respect of its accounts payable and long-term debt.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Club's main credit risks relate to its accounts receivables. The Club provides credit to its customers in the normal course of operations.

KEY CITY GYMNASTICS CLUB
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)
AUGUST 31, 2020

11. EXTERNALLY HELD ENDOWMENT FUND

An agreement exists between the Club and the Community Foundation of the Kootenay Rockies whereby, the Community Foundation of the Kootenay Rockies maintains an endowment fund exclusively for the benefit of the Club. Earnings from the endowment fund is re-invested into the fund.

The market value of the endowment fund maintained by the Community Foundation of the Kootenay Rockies is not included in the financial statements and is \$20,369 at August 31, 2020.