

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**

FINANCIAL STATEMENTS

August 31, 2023

**INDEPENDENT AUDITOR'S REPORT**

To the Members of  
**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**

**Opinion**

We have audited the financial statements of The Prince Edward Fitness & Aquatic Center (the "Organization"), which comprise the statement of financial position as at August 31, 2023, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at August 31, 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization 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 the 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 the organization'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 the organization or to cease operations, or has no realistic alternative but to do so.

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

**Auditor's 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 auditor's 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 these 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:

## INDEPENDENT AUDITOR'S REPORT (continued)

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

We 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.

Picton, Ontario  
December 15, 2023

  
CHARTERED PROFESSIONAL ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2023**

**ASSETS**

	2023	2022
<b>CURRENT ASSETS</b>		
Cash	\$ 241,197	\$ 293,811
Accounts receivable	4,246	937
Investments - Note 4	210,780	157,653
	456,223	452,401
 <b>CAPITAL ASSETS - Note 5</b>	 125,256	 114,422
	<b>\$ 581,479</b>	<b>\$ 566,823</b>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 52,752	\$ 22,383
Due to governments	11,269	10,767
Deferred membership revenue	22,867	16,324
Deferred government assistance - Note 6	16,667	16,667
Current portion of long term debt	60,000	-
	163,555	66,141
 <b>LONG TERM DEBT - Note 7</b>	 -	 60,000
<b>DEFERRED CAPITAL CONTRIBUTIONS - Note 8</b>	80,000	107,992
	243,555	234,133
 <b>NET ASSETS</b>		
Internally restricted - invested in capital assets - Note 9	45,256	6,430
Internally restricted - squash club - Note 9	4,762	4,762
Unrestricted	287,906	321,498
	337,924	332,690
	<b>\$ 581,479</b>	<b>\$ 566,823</b>

Approved by the board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

*(See accompanying notes)*

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED AUGUST 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Memberships	\$ 480,561	\$ 308,616
Program fees and facility rentals	186,687	111,488
Day use passes	10,844	1,000
Government assistance - Note 10	66,623	223,157
Fundraising and donations	3,828	2,755
Pro shop sales	4,139	2,750
Interest income	5,076	1,266
Amortization of deferred capital contributions	47,991	68,777
	<u>805,749</u>	<u>719,809</u>
<b>EXPENSES</b>		
Administrative wages and employee benefits	196,509	177,953
Advertising and promotion	22,879	24,495
Amortization	58,804	84,010
Fundraising (recovery)	-	(150)
Insurance	26,263	19,684
Interest and bank charges	8,404	6,783
Maintenance	70,863	59,704
Office	5,557	4,907
Pool supplies	19,708	10,293
Pro shop purchases	3,249	2,531
Professional fees	6,175	7,500
Program costs	187,771	122,217
Rent	101,639	100,654
Telephone	4,281	4,001
Travel	2,595	344
Utilities	85,818	68,691
	<u>800,515</u>	<u>693,617</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 5,234</u>	<u>\$ 26,192</u>

(See accompanying notes)

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED AUGUST 31, 2023**

	Internally restricted - invested in capital assets 2023	Internally restricted - squash club 2023	Unrestricted 2023	Total 2023	Total 2022
<b>BALANCE, BEGINNING OF YEAR</b>	\$ 6,430	\$ 4,762	\$ 321,498	\$ 332,690	\$ 306,498
Excess of revenue over expenses	-	-	5,234	5,234	26,192
Change in investment in capital assets - Note 11	<u>38,826</u>	<u>-</u>	<u>(38,826)</u>	<u>-</u>	<u>-</u>
<b>BALANCE, ENDING OF YEAR</b>	<u>\$ 45,256</u>	<u>\$ 4,762</u>	<u>\$ 287,906</u>	<u>\$ 337,924</u>	<u>\$ 332,690</u>

(See accompanying notes)

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2023**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 5,234	\$ 26,192
Adjustments for		
Amortization	58,804	84,010
Amortization of deferred capital contributions	(47,991)	(68,777)
	16,047	41,425
Change in non-cash working capital components:		
Accounts receivable	(3,309)	(590)
Government assistance receivable	-	41,479
Accounts payable and accrued liabilities	30,369	(29,948)
Due to governments	502	2,522
Deferred membership revenue	6,543	(1,396)
	50,152	53,492
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of capital assets	(69,639)	(18,826)
Purchase of investments	(210,780)	(866)
Redemption of investments	157,653	-
	(122,766)	(19,692)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contributions received	20,000	20,000
<b>INCREASE (DECREASE) IN CASH</b>	(52,614)	53,800
<b>CASH, BEGINNING OF YEAR</b>	293,811	240,011
<b>CASH, END OF YEAR</b>	\$ 241,197	\$ 293,811

*(See accompanying notes)*

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**1. PURPOSE OF THE ORGANIZATION**

The Prince Edward Fitness & Aquatic Center (the "Organization") was incorporated July 25, 2006 as a not-for-profit corporation under the laws of Canada and was continued under the Canada Not-for-Profit-Corporations Act on February 21, 2014. It is not subject to income taxes. Its purpose is to provide facilities and programs to encourage fitness and healthy activities for the residents of Prince Edward County.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

**Financial instruments**

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures its financial instruments at cost or amortized cost at the financial statement date, with the exception of cash which is measured at fair value.

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

Financial Liabilities measured at amortized cost include accounts payable and accrued liabilities and due to governments.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Management makes accounting estimates when determining the collectibility of accounts receivable and the estimated useful lives of the organization's capital and intangible assets and accrued liabilities. Actual results could differ from these estimates.



**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition**

The Prince Edward Fitness & Aquatic Center follows the deferral method of accounting for contributions.

Restricted contributions received for operations are recognized as revenues in the year in which the related expenses are incurred.

Restricted contributions received for the purchase of capital assets are recognized as deferred capital contributions and are recognized as revenue on the same basis as the amortization expense related to the capital assets acquired.

Fundraising and donations received for operations are recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted grants, if for a specific period are recognized on a pro-rata basis over the period. Otherwise, they are recognized on a basis similar to fundraising and donations.

Membership fees are recognized as revenue for the months to which they apply.

Membership insurance, program fees, day use passes and pro shop sales are recognized as revenue when service is provided or when goods are transferred to the customer.

Investment income is recognized as revenue when earned.

Government assistance received is recognized in the period to which it pertains.

**Contributed materials and services**

Contributions of materials are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated and when the materials are used in the normal course of operations, and would otherwise have been purchased. Contributed services are not recognized due to the difficulty in valuing services.

**Capital assets**

Tangible assets are recorded at acquisition cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their estimated useful lives. The annual amortization rates are as follows:

Alarm system	Straight-line	20%
Computer Equipment	Straight-line	20%
Fitness Equipment	Straight-line	20%
Furniture and fixtures	Straight-line	20%
Leasehold improvements	Straight-line	20%
Storage building	Straight-line	20%

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital assets (continued)**

Intangible assets are recorded at acquisition cost. Amortization on computer software is provided on a straight line basis over a two year period.

In the year of acquisition, amortization is provided at one-half of the full annual rates.

**3. FINANCIAL INSTRUMENTS**

The Organization's financial instruments are subject to the following risks which have had no significant changes from the prior year unless otherwise noted:

**Credit risk**

Exposure to credit risk arises from the possibility that parties may default on their financial obligations. The Organization's cash and accounts receivable, which consists of sponsorships billed, corporate memberships, child program fees and amounts due from the federal government for summer jobs programs give rise to credit risk. The Organization's cash is held with a Canadian chartered bank where the risk of loss is unlikely. The organization's management believes the credit risk with respect to accounts receivable is limited. The Organization mitigates its credit risk by reviewing accounts receivable aging monthly and following up on outstanding amounts. Management believes that all accounts receivable at year-end will be collected and has not deemed it necessary to establish an allowance for doubtful accounts.

**Liquidity risk**

Liquidity risk is the risk that the Organization is unable to meet its financial obligations as they come due by virtue of not being able to liquidate its assets in a timely manner. The Organization's management manages this risk by reviewing its expected future cash flow requirements and by holding assets that can be readily converted to cash.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. Interest rate risk refers to the risk that the fair value of future cash flows associated with the investments will fluctuate due to changes in market interest rates while other price risk refers to similar fluctuations because of market price changes other than those arising from currency risk or interest rate risk. While the Organization does hold investments that bear interest, the rates are fixed for established periods, thus minimizing the interest rate risk. Due to the nature of its operations and its financial assets and financial liabilities, the Organization is not exposed to significant currency or other price risk.

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**Currency risk**

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Organization's financial instruments are substantially all denominated in Canadian dollars and as a result, the Organization is not subject to significant currency risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Organization does hold interest bearing debt but the interest rate is fixed for the duration of the loan. The Organization also holds interest bearing assets and the rates are fixed for established periods, thus minimizing the interest rate risk. Due to the nature of its operations and its financial assets and financial liabilities, the Organization is not exposed to significant interest risk.

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Organization does not have financial instruments that are quoted in an active market and thus management does not believe the company is exposed to significant other price risk.

**Changes in risk**

There have been no significant changes in the organization's risk exposure from the prior year.

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**4. INVESTMENTS**

	<u>2023</u>	<u>2022</u>
Guaranteed investment certificate, interest rate of 0.60%, maturing January 6, 2023	\$ -	\$ 53,805
Guaranteed investment certificate, interest rate of 2.70%, maturing June 22, 2023	-	52,970
Guaranteed investment certificate, interest rate of 2.70% maturing June 22, 2023	-	50,878
Guaranteed investment certificate, interest rate of 3.75% maturing January 8, 2024	54,128	-
Guaranteed investment certificate, interest rate of 3.75% maturing June 24, 2024	54,400	-
Guaranteed investment certificate, interest rate of 3.75% maturing June 24, 2024	52,252	-
Guaranteed investment certificate, interest rate of 4.25% maturing May 21, 2024	50,000	-
	<u>\$ 210,780</u>	<u>\$ 157,653</u>

**5. CAPITAL ASSETS**

Capital assets consist of the following:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>2023</u>	<u>2023</u>
<b>Tangible assets:</b>				
Alarm system	\$ 27,221	\$ 27,221	\$ -	\$ 116
Computer equipment	10,612	6,147	4,465	3,409
Fitness equipment	276,605	200,102	76,503	31,589
Furniture and fixtures	32,152	29,206	2,946	5,775
Leasehold improvements	501,516	460,174	41,342	73,533
Storage building	3,901	3,901	-	-
	<u>852,007</u>	<u>726,751</u>	<u>125,256</u>	<u>114,422</u>
<b>Intangible assets:</b>				
Computer software	6,269	6,269	-	-
	<u>\$ 858,276</u>	<u>\$ 733,020</u>	<u>\$ 125,256</u>	<u>\$ 114,422</u>

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**6. DEFERRED GOVERNMENT ASSISTANCE**

Deferred government assistance represents unspent resources received in the current or prior periods that are related to the anticipated spending in a subsequent period. Amounts recorded as deferred are equal to one third of the operating grants received from the County of Prince Edward.

**7. LONG TERM DEBT**

The Organization received the CEBA loan (Canada Emergency Business Account) through CIBC. It is an interest-free loan until January 18, 2024 and \$20,000 of the balance will be forgiven if repaid by that date. The Organization intends to pay the full amount owed by the due date, thus the entire balance has been treated as current portion of long term debt.

**8. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions reported include the unamortized portions of restricted contributions received from governments and funding agencies with which fitness equipment or leasehold improvements were originally acquired. The amounts received for capital improvements have been added to deferred capital contributions on the statement of financial position and are amortized to income at the same rate as the capital assets acquired are amortized.

The changes for the year in the deferred contributions balance reported are as follows:

	2023	2022
Balance - beginning of year	\$ 107,992	\$ 156,769
Restricted grant contributions	20,000	20,000
Amounts amortized to revenue	(47,992)	(68,777)
Balance - end of year	\$ 80,000	\$ 107,992

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**9. INTERNALLY RESTRICTED NET ASSETS**

**Invested in Capital Assets**

The components of this fund are as follows:

	<u>2023</u>	<u>2022</u>
Capital assets	\$ 125,256	\$ 114,422
Deferred capital contributions	<u>(80,000)</u>	<u>(107,992)</u>
	<u>\$ 45,256</u>	<u>\$ 6,430</u>

**Squash Club**

The organization has chosen to set aside funds raised by the squash club for future expenses related to the squash courts.

	<u>2023</u>	<u>2022</u>
Cumulative balances	<u>\$ 4,762</u>	<u>\$ 4,762</u>

**10. GOVERNMENT ASSISTANCE**

During the year, the organization received funding under the following government programs which was reported in revenues:

	<u>2023</u>	<u>2022</u>
Government of Canada - Canada Summer Jobs Program	\$ 16,623	\$ 7,260
Government of Canada - Canada's Emergency Wage Subsidy	-	85,923
Government of Canada - Canada's Emergency Commercial Rent Assistance	-	49,422
Government of Ontario - Covid Rebates and Grants	-	27,681
Prince Edward County - Operating Grant	50,000	50,000
Province of Ontario - Squash Ontario Covid relief	<u>-</u>	<u>2,871</u>
	<u>\$ 66,623</u>	<u>\$ 223,157</u>

An amount of \$33,334 of the current year operating grant of \$50,000 from Prince Edward County related to the current fiscal year plus \$16,666 deferred in the prior year has been included in current year grant income. The amount remaining from the current year funding agreement amounts to \$16,667 which will be used to assist with operating costs incurred through December 2023 and will be recognized as revenue in the organization's fiscal year ending August 31, 2024.

**THE PRINCE EDWARD FITNESS & AQUATIC CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

**11. CHANGE IN INVESTMENT IN CAPITAL ASSETS**

	2023	2022
Capital assets acquired	\$ 69,639	\$ 18,826
Amortization of capital assets	(58,804)	(84,010)
Capital grants received from municipality	(20,000)	(20,000)
Amortization of deferred capital assets	47,991	68,777
	\$ 38,826	\$ (16,407)

**12. LEASE COMMITMENT**

The organization has been operating under a lease agreement effective until August 31, 2030 for the use of the building with an option to renew for an additional ten year term.

The required monthly payment is currently \$6,250 plus HST and will remain at that rate in the new lease for the next three years. The rate will be renegotiated for the subsequent five years of the ten year lease but it is assumed to be at a rate at least as high as the current rate. The organization also pays an additional \$600 per month per the new lease to cover building insurance. The organization is also responsible for the payment of property taxes under the existing lease.

The organization's minimum commitment for the next 5 years under this property lease agreement, excluding property taxes and insurance, is as follows:

2024	\$75,000
2025	75,000
2026	75,000
2027	75,000
2028	75,000

The actual lease commitment may differ from this estimate based on the final outcome of negotiations with the lessor.