

THE PRINCE EDWARD FITNESS & AQUATIC CENTER

FINANCIAL STATEMENTS

August 31, 2024

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, 2024, 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, 2024, 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 18, 2024



CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2024

ASSETS

	2024	2023
CURRENT ASSETS		
Cash	\$ 132,820	\$ 241,197
Accounts receivable	5,338	4,246
Investments - Note 4	268,987	210,780
	407,145	456,223
CAPITAL ASSETS - Note 5	186,340	125,256
	\$ 593,485	\$ 581,479

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 124,563	\$ 52,752
Due to governments	16,583	11,269
Deferred membership revenue	33,061	22,867
Deferred government assistance - Note 6	16,667	16,667
Current portion of long term debt	-	60,000
	190,874	163,555
DEFERRED CAPITAL CONTRIBUTIONS - Note 8	60,000	80,000
	250,874	243,555
NET ASSETS		
Internally restricted - invested in capital assets - Note 9	126,340	45,256
Internally restricted - squash club - Note 9	4,762	4,762
Unrestricted	211,509	287,906
	342,611	337,924
	\$ 593,485	\$ 581,479

Approved by the board:

 Director

 Director

(See accompanying notes)

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2024

	<u>2024</u>	<u>2023</u>
REVENUES		
Memberships	\$ 546,909	\$ 480,561
Program fees and facility rentals	190,488	186,687
Day use passes	22,078	10,844
Government assistance - Note 10	78,900	66,623
Fundraising and donations	5,244	3,828
Pro shop sales	3,896	4,139
Interest income	9,514	5,076
Amortization of deferred capital contributions	<u>40,000</u>	<u>47,991</u>
	<u>897,029</u>	<u>805,749</u>
 EXPENSES		
Administrative wages and employee benefits	230,116	196,509
Advertising and promotion	25,968	22,879
Amortization	63,274	58,804
Insurance	36,440	26,263
Interest and bank charges	8,682	8,404
Maintenance	76,591	70,863
Office	6,547	5,557
Pool supplies	13,855	19,708
Pro shop purchases	4,160	3,249
Professional fees	6,475	6,175
Program costs	219,217	187,771
Rent	102,573	101,639
Telephone	4,518	4,281
Travel	2,629	2,595
Utilities	<u>91,296</u>	<u>85,818</u>
	<u>892,341</u>	<u>800,515</u>
 EXCESS OF REVENUES OVER EXPENSES		
	<u>\$ 4,688</u>	<u>\$ 5,234</u>

(See accompanying notes)

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2024

	Internally restricted - invested in capital assets <u>2024</u>	Internally restricted - squash club <u>2024</u>	Unrestricted <u>2024</u>
BALANCE, BEGINNING OF YEAR	\$ 45,256	\$ 4,762	\$ 287,905
Excess of revenue over expenses	-	-	4,688
Change in investment in capital assets - Note 11	<u>81,084</u>	<u>-</u>	<u>(81,084)</u>
BALANCE, ENDING OF YEAR	<u>\$ 126,340</u>	<u>\$ 4,762</u>	<u>\$ 211,509</u>

(See accompanying notes)

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2024

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 4,688	\$ 5,234
Adjustments for		
Amortization	63,274	58,804
Amortization of deferred capital contributions	(40,000)	(47,991)
CEBA loan forgiveness	(20,000)	-
	7,962	16,047
Change in non-cash working capital components:		
Accounts receivable	(1,092)	(3,309)
Accounts payable and accrued liabilities	71,810	30,369
Due to governments	5,314	502
Deferred membership revenue	10,194	6,543
	94,188	50,152
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(124,358)	(69,639)
Purchase of investments	(268,987)	(210,780)
Redemption of investments	210,780	157,653
	(182,565)	(122,766)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Canada Emergency Business Account repayment	(40,000)	-
Capital contributions received	20,000	20,000
	(20,000)	20,000
 DECREASE IN CASH	(108,377)	(52,614)
CASH, BEGINNING OF YEAR	241,197	293,811
CASH, END OF YEAR	\$ 132,820	\$ 241,197

(See accompanying notes)

Welch⁶ **LLP**

An Independent Member of BKR International

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2024

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, 2024

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, 2024

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, 2024

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, 2024

4. INVESTMENTS

	<u>2024</u>	<u>2023</u>
Guaranteed investment certificate, interest rate of 4.15%, maturing January 8, 2025	\$ 56,170	\$ -
Guaranteed investment certificate, interest rate of 4.00%, maturing June 24, 2025	56,452	-
Guaranteed investment certificate, interest rate of 4.00% maturing June 24, 2025	54,222	-
Guaranteed investment certificate, interest rate of 4.00% maturing July 21, 2025	52,143	-
Guaranteed investment certificate, interest rate of 5.00% maturing March 25, 2025	50,000	-
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>\$ 268,987</u>	<u>\$ 210,780</u>

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2024</u> Cost	<u>2024</u> Accumulated amortization	<u>2024</u> Net	<u>2023</u> Net
Tangible assets:				
Alarm system	\$ 27,656	\$ 27,265	\$ 391	\$ -
Computer equipment	10,612	7,614	2,998	4,465
Fitness equipment	300,534	223,442	77,092	76,503
Furniture and fixtures	37,497	31,787	5,710	2,946
Leasehold improvements	596,165	496,016	100,149	41,342
Storage building	3,901	3,901	-	-
	<u>976,365</u>	<u>790,025</u>	<u>186,340</u>	<u>125,256</u>
Intangible assets:				
Computer software	6,269	6,269	-	-
	<u>\$ 982,634</u>	<u>\$ 796,294</u>	<u>\$ 186,340</u>	<u>\$ 125,256</u>

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2024

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 was an interest-free loan until January 18, 2024. The Organization repaid the entire loan prior to that date, thus \$20,000 was forgiven during the year as per the terms of the loan.

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:

	2024	2023
Balance - beginning of year	\$ 80,000	\$ 107,992
Restricted grant contributions	20,000	20,000
Amounts amortized to revenue	(40,000)	(47,992)
Balance - end of year	\$ 60,000	\$ 80,000

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2024

9. INTERNALLY RESTRICTED NET ASSETS

Invested in Capital Assets

The components of this fund are as follows:

	2024	2023
Capital assets	\$ 186,340	\$ 125,256
Deferred capital contributions	(60,000)	(80,000)
	\$ 126,340	\$ 45,256

Squash Club

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

	2024	2023
Cumulative balances	\$ 4,762	\$ 4,762

10. GOVERNMENT ASSISTANCE

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

	2024	2023
Government of Canada - Canada Summer Jobs Program	\$ 8,900	\$ 16,623
Government of Canada - CEBA Loan Forgiveness	20,000	-
Prince Edward County - Operating Grant	50,000	50,000
	\$ 78,900	\$ 66,623

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 2024 and will be recognized as revenue in the organization's fiscal year ending August 31, 2025.

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2024

11. CHANGE IN INVESTMENT IN CAPITAL ASSETS

	2024	2023
Capital assets acquired	\$ 124,358	\$ 69,639
Amortization of capital assets	(63,274)	(58,804)
Capital grants received from municipality	(20,000)	(20,000)
Amortization of deferred capital assets	40,000	47,991
	\$ 81,084	\$ 38,826

12. LEASE COMMITMENT

The organization has been operating under a lease agreement for the use of the building 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 until 2025. 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. During the year the organization paid an additional \$1,811 per month as required by the lease to cover building insurance and liability insurance. This amount included payments related to a retroactive building reassessment put in place by the insurance company. The insurance payments required going forward are under negotiation. 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 before HST under this property lease agreement, excluding property taxes and insurance, is as follows:

2025	\$75,000
2026	75,000
2027	75,000
2028	75,000
2029	75,000

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

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2024

13. SUBSEQUENT EVENTS

Subsequent to the year end, the organization acquired a two month bridge loan for \$70,000 at a rate of prime plus one in order to maximize the rate of return on a GIC that will come due in January of 2025. The loan will be used to cover cash flow requirements as significant capital expenditures were incurred in 2024.