

THE PRINCE EDWARD FITNESS & AQUATIC CENTER

FINANCIAL STATEMENTS

August 31, 2025

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, 2025, 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, 2025, 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 19, 2025



CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2025

ASSETS

	2025	2024
CURRENT ASSETS		
Cash	\$ 158,805	\$ 132,820
Accounts receivable	4,473	4,004
Government assistance receivable	1,273	1,334
Investments - Note 4	222,192	268,987
	386,743	407,145
CAPITAL ASSETS - Note 5	198,717	186,340
	\$ 585,460	\$ 593,485

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 102,845	\$ 124,563
Due to governments	14,589	16,583
Deferred membership revenue	10,980	33,061
Deferred government assistance - Note 7	16,667	16,667
	145,081	190,874
DEFERRED CAPITAL CONTRIBUTIONS - Note 9	104,000	60,000
	249,081	250,874
NET ASSETS		
Internally restricted - invested in capital assets - Note 10	94,717	126,340
Internally restricted - squash club - Note 10	4,762	4,762
Unrestricted	236,900	211,509
	336,379	342,611
	\$ 585,460	\$ 593,485

Approved by the board:


 _____ Director

 _____ Director

(See accompanying notes)

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2025

	2025	2024
REVENUES		
Memberships	\$ 613,850	\$ 546,909
Program fees and facility rentals	117,263	190,488
Day use passes	36,142	22,078
Government assistance - Note 11	56,108	78,900
Fundraising and donations	1,069	5,244
Pro shop sales	3,330	3,896
Interest income	8,976	9,514
Equipment sales income	535	-
Amortization of deferred capital contributions	36,000	40,000
	873,273	897,029
EXPENSES		
Administrative wages and employee benefits	247,862	230,116
Advertising and promotion	19,912	25,968
Amortization	66,506	63,274
Insurance	32,509	36,440
Interest and bank charges	9,184	8,682
Maintenance	85,026	76,591
Office	8,341	6,547
Pool supplies	13,959	13,855
Pro shop purchases	1,828	4,160
Professional fees	6,350	6,475
Program costs	187,946	219,217
Rent	103,607	102,573
Telephone	4,677	4,518
Travel	2,467	2,629
Utilities	89,331	91,296
	879,505	892,341
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	\$ (6,232)	\$ 4,688

(See accompanying notes)

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2025

	Internally restricted - invested in capital assets 2025	Internally restricted - squash club 2025	Unrestricted 2025	August 31 2025	August 31 2024
Balance, beginning of year	\$ 126,340	\$ 4,762	\$ 211,509	\$ 342,611	\$ 337,923
(Deficiency) excess of revenue over expenses	-	-	(6,232)	(6,232)	4,688
Change in investment in capital assets - Note 12	<u>(31,623)</u>	<u>-</u>	<u>31,623</u>	<u>-</u>	<u>-</u>
Balance, ending of year	<u>\$ 94,717</u>	<u>\$ 4,762</u>	<u>\$ 236,900</u>	<u>\$ 336,379</u>	<u>\$ 342,611</u>

(See accompanying notes)

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2025

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses	\$ (6,232)	\$ 4,688
Adjustments for		
Amortization	66,506	63,274
Amortization of deferred capital contributions	(36,000)	(40,000)
CEBA loan forgiveness	-	(20,000)
Total adjustments	30,506	3,274
	24,274	7,962
Change in non-cash working capital components:		
Accounts receivable	(469)	242
Government assistance receivable	61	(1,334)
Accounts payable and accrued liabilities	(21,718)	71,810
Due to governments	(1,993)	5,314
Deferred membership revenue	(22,081)	10,194
	(21,926)	94,188
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(78,884)	(124,358)
Purchase of investments	(222,192)	(268,987)
Redemption of investments	268,987	210,780
	(32,089)	(182,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions received	80,000	20,000
Canada Emergency Business Account repayment	-	(40,000)
	80,000	(20,000)
INCREASE (DECREASE) IN CASH	25,985	(108,377)
CASH, BEGINNING OF YEAR	132,820	241,197
CASH, END OF YEAR	\$ 158,805	\$ 132,820

(See accompanying notes)

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

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, 2025

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, 2025

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, 2025

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, 2025

4. INVESTMENTS

	<u>2025</u>	<u>2024</u>
Guaranteed investment certificate, interest rate of 2.70%, maturing June 24, 2026	\$ 58,709	\$ -
Guaranteed investment certificate, interest rate of 2.70% maturing June 24, 2026	56,391	-
Guaranteed investment certificate, interest rate of 2.70% maturing March 25, 2026	52,500	-
Guaranteed investment certificate, interest rate of 2.25% maturing August 10, 2026	54,592	-
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
	<u>\$ 222,192</u>	<u>\$ 268,987</u>

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net 2025</u>	<u>Net 2024</u>
Tangible assets:				
Alarm system	\$ 27,656	\$ 27,352	\$ 304	\$ 391
Computer equipment	10,612	8,847	1,765	2,998
Fitness equipment	328,985	249,523	79,462	77,092
Furniture and fixtures	37,497	33,755	3,742	5,710
Leasehold improvements	646,597	533,153	113,444	100,149
Storage building	<u>3,901</u>	<u>3,901</u>	-	-
	1,055,248	856,531	198,717	186,340
Intangible assets:				
Computer software	<u>6,269</u>	<u>6,269</u>	-	-
	<u>\$ 1,061,517</u>	<u>\$ 862,800</u>	<u>\$ 198,717</u>	<u>\$ 186,340</u>

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

6. CREDIT FACILITY

During the year the organization obtained a line of credit with an accredited bank for \$10,000 bearing interest at prime plus 1.5%. The balance of the line at year end was nil.

7. 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.

8. LONG TERM DEBT

During the year, the organization acquired a two month bridge loan for \$70,000 from CIBC at a rate of prime plus one to cover cash flow requirements as a result of significant capital expenditures that occurred in 2024. The loan was repaid with a GIC which matured during the current year, there is no outstanding balance on the loan at year-end.

9. 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:

	2025	2024
Balance - beginning of year	\$ 60,000	\$ 80,000
Restricted grant contributions	80,000	20,000
Amounts amortized to revenue	(36,000)	(40,000)
Balance - end of year	\$ 104,000	\$ 60,000

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

10. INTERNALLY RESTRICTED NET ASSETS

Invested in Capital Assets

The components of this fund are as follows:

	<u>2025</u>	<u>2024</u>
Capital assets	\$ 198,717	\$ 186,340
Deferred capital contributions	<u>(104,000)</u>	<u>(60,000)</u>
	<u>\$ 94,717</u>	<u>\$ 126,340</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>2025</u>	<u>2024</u>
Cumulative balances	<u>\$ 4,762</u>	<u>\$ 4,762</u>

11. GOVERNMENT ASSISTANCE

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

	<u>2025</u>	<u>2024</u>
Government of Canada - Canada Summer Jobs Program	\$ 6,108	\$ 8,900
Government of Canada - CEBA Loan Forgiveness	-	20,000
Prince Edward County - Operating Grant	<u>50,000</u>	<u>50,000</u>
	<u>\$ 56,108</u>	<u>\$ 78,900</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 2025 and will be recognized as revenue in the organization's fiscal year ending August 31, 2026.

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

12. CHANGE IN INVESTMENT IN CAPITAL ASSETS

	2025	2024
Capital assets acquired	\$ 78,883	\$ 124,358
Amortization of capital assets	(66,506)	(63,274)
Capital grants received	(80,000)	(20,000)
Amortization of deferred capital assets	36,000	40,000
	\$ (31,623)	\$ 81,084

13. 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 up to August 31, 2025 was \$6,250 plus HST. The new rate for the lease is still being negotiated at the time of finalization the year end financial statements. The lease agreement indicates that the remaining five years on the lease will be paid at fair market value. As the building and surrounding property are unique, this determination is proving challenging. Fair market value rent will be well in excess of the previous rate charged.

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

2026	\$75,000
2027	75,000
2028	75,000
2029	75,000
2030	75,000

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

14. ECONOMIC DEPENDENCE

The property and building rented by the organization is unique due to its size, the layout and the pool. If the terms of the lease cannot be met, Prince Edward Fitness and Aquatic Centre would have difficulty finding another appropriate facility.

THE PRINCE EDWARD FITNESS & AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2025

15. SUBSEQUENT EVENTS

As outlined in note 13, the landlord for the property and building used by Prince Edward Fitness and Aquatic Centre gave notice of a substantial rent increase in accordance with the terms of the lease. The fair market value of the lease is still in negotiation. In addition to that the landlord has listed the property for sale.

The organization's ability to continue to operate long term on the current property is in question. Additional funding for 2026 has been secured from Prince Edward County and additional funding, fundraising and financing options are being explored by the Board.