

THE FREDERICTON YMCA INC.

Financial Statements

Year Ended December 31, 2016

THE FREDERICTON YMCA INC.
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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of The Fredericton YMCA Inc.

We have audited the accompanying financial statements of The Fredericton YMCA Inc., which comprise the statement of financial position as at December 31, 2016 and the statements of revenues and expenditures, changes in net assets and cash flow 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations revenue, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to donations revenue, deficiency of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of The Fredericton YMCA Inc. as at December 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 2015 were audited by another accounting firm and are presented for comparative purposes only.



Fredericton, New Brunswick
April 20, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS

THE FREDERICTON YMCA INC.

Statement of Financial Position

December 31, 2016

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 671,229	\$ 1,312,502
Accounts receivable <i>(Note 4)</i>	281,449	162,462
Pledges receivable <i>(Note 5)</i>	10,000	13,400
Inventory	39,655	34,917
Prepaid expenses and deposit	12,258	23,305
	1,014,591	1,546,586
CAPITAL ASSETS <i>(Note 6)</i>	16,403,865	17,067,613
	\$ 17,418,456	\$ 18,614,199
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable <i>(Note 7)</i>	\$ 170,749	\$ 259,590
Deferred revenue, membership fees	348,811	334,185
Deferred revenue, grants and donations <i>(Note 9)</i>	152,121	160,087
Current portion of long term debt <i>(Note 8)</i>	258,510	245,537
	930,191	999,399
LONG TERM DEBT <i>(Note 8)</i>	1,928,640	2,187,146
DEFERRED CONTRIBUTIONS - CAPITAL ASSETS <i>(Note 10)</i>	9,247,508	9,545,921
	12,106,339	12,732,466
NET ASSETS		
Unrestricted	173,715	612,183
Internally restricted <i>(Note 12)</i>	169,195	180,541
Invested in capital assets <i>(Note 11)</i>	4,969,207	5,089,009
	5,312,117	5,881,733
	\$ 17,418,456	\$ 18,614,199

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

THE FREDERICTON YMCA INC.
Statement of Changes in Net Assets
Year Ended December 31, 2016

	Unrestricted	Internally Restricted <i>(Note 12)</i>	Invested in Capital Assets <i>(Note 11)</i>	2016	2015
NET ASSETS - BEGINNING OF YEAR	\$ 612,183	\$ 180,541	\$ 5,089,009	\$ 5,881,733	\$ 6,243,189
DEFICIENCY OF REVENUE OVER EXPENSES	(136,271)	-	(433,345)	(569,616)	(361,456)
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	(313,543)	-	313,543	-	-
BOARD OF DIRECTORS' TRANSFERS: INTERNATIONAL ACTIVITIES	11,346	(11,346)	-	-	-
NET ASSETS - END OF YEAR	\$ 173,715	\$ 169,195	\$ 4,969,207	\$ 5,312,117	\$ 5,881,733

THE FREDERICTON YMCA INC.
Statement of Revenues and Expenditures
Year Ended December 31, 2016

	2016	2015
REVENUE		
Memberships	\$ 1,864,030	\$ 1,850,065
Programs	1,501,619	1,605,257
Grants <i>(Note 13)</i>	689,824	679,279
Cultures	220,485	222,784
Donations	110,804	57,890
Administration fees	63,184	47,353
Facility rental	31,180	23,210
Membership services	25,016	27,840
Other	2,810	28,540
	<u>4,508,952</u>	<u>4,542,218</u>
EXPENSES		
Program and membership salaries and benefits	2,197,595	2,032,892
Administrative and maintenance salaries and benefits	651,420	602,582
Administration and maintenance	373,851	451,483
Utilities	302,277	360,055
Program supplies	297,184	222,733
Cultures	196,143	191,857
Rent	179,767	227,184
Interest on long term debt	132,315	163,104
Interest and bank charges	113,999	21,884
Transportation	112,405	102,714
Telephone	33,716	33,397
Advertising	32,273	46,516
Staff and volunteer development	13,563	28,992
Bad debts (recovery)	6,915	(7,458)
Overseas projects	1,800	1,800
	<u>4,645,223</u>	<u>4,479,735</u>
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>(136,271)</u>	<u>62,483</u>
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions - capital assets	385,313	397,746
Amortization of capital assets	(818,658)	(821,685)
	<u>(433,345)</u>	<u>(423,939)</u>
DEFICIENCY OF REVENUE OVER EXPENSES	<u>\$ (569,616)</u>	<u>\$ (361,456)</u>

THE FREDERICTON YMCA INC.

Statement of Cash Flow

Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (569,616)	\$ (361,456)
Items not affecting cash:		
Amortization of capital assets	818,658	821,685
Amortization of deferred contributions - capital assets	<u>(385,313)</u>	<u>(397,746)</u>
	<u>(136,271)</u>	62,483
Changes in non-cash working capital:		
Accounts receivable	(118,987)	(45,945)
Inventory	(4,738)	3,126
Accounts payable	(88,841)	(95,910)
Deferred revenue, membership fees	14,626	104
Prepaid expenses and deposit	11,047	(959)
Deferred contributions related to expenses of future periods	<u>(7,966)</u>	<u>(8,436)</u>
	<u>(194,859)</u>	(148,020)
Cash flow used by operating activities	<u>(331,130)</u>	(85,537)
INVESTING ACTIVITY		
Purchase of capital assets	<u>(154,911)</u>	(70,191)
FINANCING ACTIVITIES		
Repayment of long term debt	(245,532)	(659,957)
Proceeds from deferred contributions related to capital assets	<u>90,300</u>	<u>230,965</u>
Cash flow used by financing activities	<u>(155,232)</u>	(428,992)
DECREASE IN CASH	<u>(641,273)</u>	(584,720)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,312,502</u>	1,897,222
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 671,229</u>	\$ 1,312,502
Represented by:		
Cash	\$ 218,209	\$ 861,715
Short-term investments	<u>453,020</u>	<u>450,787</u>
	<u>\$ 671,229</u>	\$ 1,312,502

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2016

1. PURPOSE OF THE ORGANIZATION

The Fredericton YMCA Inc. (the "organization") is incorporated as a corporation without share capital under the Companies Act of the Province of New Brunswick. The organization is an independent association of volunteers and professionals whose purpose is to offer people opportunities for personal growth and service to others. The organization is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Financial instruments policy

The organization considers any contracts a financial asset, liability, or equity instrument as a financial instrument, except in certain limited circumstances. The organization accounts for the following as financial instruments: cash and cash equivalents, accounts receivables, accounts payables and long-term debt.

A financial asset or liability is recognized when the organization becomes party to contractual provisions of the instrument.

The organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the organization is in the capacity of management in which case they are accounted for in accordance with financial instruments.

The organization subsequently measures its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment.

The organization removes financial liabilities, or a portion of, when the obligation is discharged, cancelled, or expires.

Cash and cash equivalents

The organization considers cash on hand, short-term deposits and balances with banks, net of overdrafts as cash or cash equivalents.

Inventory

Inventory consists of goods held for resale in the Cultures gift shop and the Pro Shop and are valued at the lower of replacement cost and net realizable value. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale.

(continues)

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2016

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

Capital assets

Purchased capital assets are stated at cost less accumulated amortization. Contributed capital assets are stated at fair value at the date of contribution less accumulated amortization. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates:

Buildings	4%
Equipment	20%
Leasehold improvements	20%

The organization regularly reviews its capital assets to eliminate obsolete items.

Contributed services

Volunteers contribute an indeterminable number of hours per year to assist the organization in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant estimates include useful lives of capital assets, deferred contributions, accrued liabilities and valuation allowances for receivables. Actual results could differ from these estimates.

Revenue recognition

The Fredericton YMCA Inc. follows the deferral method of accounting for contributions, which includes government grants.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on the same basis and rates corresponding with the amortization of the related capital assets.

Revenue from memberships, programs, Cultures, facility rental and various fees and services are recognized when the services are provided or the goods are sold and collection is reasonably assured.

Grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant or contribution relates to a future period, it is deferred and recognized in that subsequent period.

Pledged contributions are recorded when there is sufficient certainty of collection.

Internally restricted net assets

Internally restricted net assets include amounts restricted by the Board of Directors for future facility repair and replacement and for international activities. These internally restricted amounts are not available for other purposes without approval by the Board of Directors.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2016

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2016.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk with respect to the accounts and pledges receivable. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Accounts receivable	\$ 220,166	\$ 107,174
Receivable from Fredericton YMCA Endowment Fund Inc.	79,598	66,688
Allowance for doubtful accounts	<u>(18,315)</u>	<u>(11,400)</u>
	<u>\$ 281,449</u>	<u>\$ 162,462</u>

5. PLEDGES RECEIVABLE

The total of unconditional promises to give due in one year is \$10,000 (2015 - \$13,400) relating to the capital campaign.

Pledges receivable due more than one year from the date of the financial statements totaling \$30,017 (2015 - \$45,017) have not been recorded.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land	\$ 2,529,000	\$ -	\$ 2,529,000	\$ 2,529,000
Buildings	17,290,175	3,622,640	13,667,535	14,359,144
Equipment	1,249,643	1,044,560	205,083	179,469
Leasehold improvements	2,809	562	2,247	-
	<u>\$ 21,071,627</u>	<u>\$ 4,667,762</u>	<u>\$ 16,403,865</u>	<u>\$ 17,067,613</u>

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2016

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$18,936 (2015 - \$5,317), which includes amounts payable for HST.

8. LONG TERM DEBT

Loan bearing interest at 5.8% per annum, repayable in monthly blended payments of \$31,548. The loan matures on May 6, 2021 and is secured by a general security agreement and a specific property with a carrying value of \$16,196,535.

Amounts payable within one year

	<u>2016</u>	<u>2015</u>
	\$ 2,187,150	\$ 2,432,683
	<u>(258,510)</u>	<u>(245,537)</u>
	<u>\$ 1,928,640</u>	<u>\$ 2,187,146</u>

Principal repayment terms are approximately:

2017	\$ 258,510
2018	273,908
2019	290,224
2020	307,512
2021	325,829
Thereafter	<u>731,167</u>
	<u>\$ 2,187,150</u>

The organization is required to comply with certain financial and non-financial covenants relative to the TD loan. As at December 31, 2016 the organization was not compliant with the financial covenants. The bank has not communicated what actions, if any, that could be applied to the current credit facilities.

9. DEFERRED REVENUE, GRANTS AND DONATIONS

Expenses of future periods

Balance, beginning of year

Less amounts recognized as revenue in the year

Add amounts received related to future periods

Balance, end of year

	<u>2016</u>	<u>2015</u>
	\$ 160,087	\$ 168,523
	<u>(651,116)</u>	<u>(495,004)</u>
	<u>643,150</u>	<u>486,568</u>
	<u>\$ 152,121</u>	<u>\$ 160,087</u>

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2016

10. DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
Capital assets		
Balance, beginning of year	\$ 9,545,921	\$ 9,818,124
Less amounts amortized to revenue	(385,313)	(397,746)
Contributions	<u>86,900</u>	<u>125,543</u>
Balance, end of year	<u>\$ 9,247,508</u>	<u>\$ 9,545,921</u>

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

11. INVESTMENT IN CAPITAL ASSETS

	<u>2016</u>	<u>2015</u>
(a) Investment in capital assets is calculated as follows:		
Capital assets	\$ 16,403,865	\$ 17,067,613
Amounts financed by:		
Long-term debt	(2,187,150)	(2,432,683)
Deferred contributions - capital assets	<u>(9,247,508)</u>	<u>(9,545,921)</u>
	<u>\$ 4,969,207</u>	<u>\$ 5,089,009</u>

(b) Change in net assets invested in capital assets is calculated as follows:

Deficiency of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ (385,313)	\$ (397,746)
Amortization of capital assets	<u>818,658</u>	<u>821,685</u>
	<u>\$ 433,345</u>	<u>\$ 423,939</u>

Net change in investment in capital assets:

Purchase of capital assets	\$ 154,911	\$ 70,191
Amount funded by deferred contributions	(86,900)	(125,543)
Repayment of long-term debt	<u>245,532</u>	<u>659,957</u>
	<u>\$ 313,543</u>	<u>\$ 604,605</u>

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2016

12. INTERNALLY RESTRICTED

The Board has internally restricted the following:

	<u>2016</u>	<u>2015</u>
International activities	\$ 129,195	\$ 140,541
Major repairs	40,000	40,000
	<u>\$ 169,195</u>	<u>\$ 180,541</u>

During the year, the Board of Directors approved the transfer of \$11,346 from the International Activities fund to support activities carried out by the International department.

13. GRANTS

	<u>2016</u>	<u>2015</u>
Provincial	\$ 549,500	\$ 566,493
Other	120,876	59,589
Federal	11,798	40,028
Municipal	7,650	7,650
United Way	-	5,519
	<u>\$ 689,824</u>	<u>\$ 679,279</u>

14. PENSION COSTS AND OBLIGATIONS

The employees of the organization participate in a multi-employer defined contribution pension plan administered by the Canadian YMCA Retirement Fund. Contributions by the organization on behalf of the participating employees are expensed as incurred.

During the year \$41,889 (2015 - \$61,071) was contributed to the plan.

15. CREDIT FACILITY

The organization has a revolving demand credit facility available for \$200,000 for general business purposes at the bank's prime lending rate plus 0.25%, secured by a general security agreement. As at year end, the facility has not been drawn upon.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2016

16. RELATED PARTY TRANSACTIONS

The organization has an economic interest in The Fredericton YMCA Endowment Fund Inc. (the "Fund"), an organization whose purpose is to raise and invest funds to earn income to be used to contribute to the vision of the organization.

The Fund was incorporated on November 13, 1986 and is registered as a charitable foundation. The net assets of the Fund amount to approximately \$2,053,000, which are not included in the statements of the organization.

Related party transactions and balances not separately disclosed in the financial statements include the following:

- i) an amount of \$75,000 (2015 - \$75,000) has been received from the Fund and recorded as deferred contributions related to property and equipment;
- ii) an amount of \$10,000 (2015 - \$20,000) has been received and recorded as a Strong Kids donation;
- iii) an amount of \$7,500 (2015 -\$7,500) representing management services is recorded in administration fees; and
- iv) the organization will receive \$79,598 from the Fund which is included in accounts receivable at December 31, 2016 (2015 - \$66,688).