

THE FREDERICTON YMCA INC.

Financial Statements

Year Ended December 31, 2017

THE FREDERICTON YMCA INC.
Index to Financial Statements
Year Ended December 31, 2017

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Revenues and Expenditures	4
Statement of Cash Flow	5
Notes to Financial Statements	6 - 12

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, 2017 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 possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Fredericton YMCA Inc. as at December 31, 2017 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.



Fredericton, New Brunswick
April 25, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

THE FREDERICTON YMCA INC.

Statement of Financial Position

December 31, 2017

	2017	2016 <i>(Restated)</i>
ASSETS		
CURRENT		
Cash	\$ 671,183	\$ 671,229
Accounts receivable <i>(Note 4)</i>	361,255	281,449
Pledges receivable <i>(Note 5)</i>	-	10,000
Inventory	36,324	39,655
Prepaid expenses	6,521	12,258
	1,075,283	1,014,591
CAPITAL ASSETS <i>(Note 6)</i>	15,730,439	16,403,865
	\$ 16,805,722	\$ 17,418,456
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable <i>(Note 7)</i>	\$ 387,290	\$ 170,749
Deferred revenue, membership fees	293,179	348,811
Deferred revenue, grants and donations <i>(Note 8)</i>	111,010	152,121
Current portion of long term debt <i>(Note 9)</i>	101,683	258,510
	893,162	930,191
LONG TERM DEBT <i>(Note 9)</i>	1,909,269	1,928,640
DEFERRED CONTRIBUTIONS - CAPITAL ASSETS <i>(Note 10)</i>	8,694,760	9,072,641
	11,497,191	11,931,472
NET ASSETS		
Unrestricted	243,804	173,715
Internally restricted <i>(Note 11)</i>	40,000	169,195
Invested in capital assets <i>(Note 12)</i>	5,024,727	5,144,074
	5,308,531	5,486,984
	\$ 16,805,722	\$ 17,418,456

ON BEHALF OF THE BOARD

_____ Director

_____ Director

THE FREDERICTON YMCA INC.
Statement of Changes in Net Assets
Year Ended December 31, 2017

	Unrestricted	Internally Restricted <i>(Note 11)</i>	Invested in Capital Assets <i>(Note 12)</i>	2017	2016 <i>(Restated)</i>
NET ASSETS - BEGINNING OF YEAR - AS PREVIOUSLY REPORTED	\$ 173,715	\$ 169,195	\$ 4,969,207	\$ 5,312,117	\$ 5,881,733
ADJUSTMENT <i>(Note 17)</i>	-	-	174,867	174,867	108,577
NET ASSETS - BEGINNING OF YEAR - AS RESTATED	173,715	169,195	5,144,074	5,486,984	5,990,310
DEFICIENCY OF REVENUE OVER EXPENSES	118,850	-	(297,303)	(178,453)	(503,326)
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	(177,956)	-	177,956	-	-
BOARD OF DIRECTORS' TRANSFERS: INTERNATIONAL ACTIVITIES	129,195	(129,195)	-	-	-
NET ASSETS - END OF YEAR	\$ 243,804	\$ 40,000	\$ 5,024,727	\$ 5,308,531	\$ 5,486,984

THE FREDERICTON YMCA INC.
Statement of Revenues and Expenditures
Year Ended December 31, 2017

	2017	2016 <i>(Restated)</i>
REVENUE		
Administration fees	\$ 80,829	\$ 91,156
Childcare	1,110,774	1,280,001
Cultures retail sales	205,630	220,485
Donations and fundraising	172,604	163,407
Facility rental	38,173	35,682
Grants <i>(Note 13)</i>	751,271	637,219
Memberships	1,865,673	1,930,230
Other	6,824	2,810
Program fees	229,739	180,014
	4,461,517	4,541,004
EXPENSES		
Salaries and benefits	2,628,544	2,904,244
Building and maintenance	529,203	526,712
Programs and services	495,491	562,038
Administration	275,100	312,018
Interest and service charges	153,716	117,746
Cultures purchases	121,650	113,487
Interest on long term debt	119,606	132,315
Bad debts	17,557	6,915
International projects	1,800	1,800
	4,342,667	4,677,275
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	118,850	(136,271)
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions - capital assets	454,881	451,603
Amortization of capital assets	(752,184)	(818,658)
	(297,303)	(367,055)
DEFICIENCY OF REVENUE OVER EXPENSES	\$ (178,453)	\$ (503,326)

THE FREDERICTON YMCA INC.

Statement of Cash Flow

Year Ended December 31, 2017

	2017	2016 <i>(Restated)</i>
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$ (178,453)	\$ (503,326)
Items not affecting cash:		
Amortization of capital assets	752,184	818,658
Amortization of deferred contributions - capital assets	<u>(454,881)</u>	<u>(451,603)</u>
	<u>118,850</u>	<u>(136,271)</u>
Changes in non-cash working capital:		
Accounts receivable	(79,806)	(118,987)
Inventory	3,331	(4,738)
Accounts payable	216,541	(88,841)
Deferred revenue, membership fees	(55,632)	14,626
Prepaid expenses and deposit	5,737	11,047
Deferred contributions related to expenses of future periods	<u>(41,111)</u>	<u>(7,966)</u>
	<u>49,060</u>	<u>(194,859)</u>
Cash flow from (used by) operating activities	<u>167,910</u>	<u>(331,130)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(78,758)</u>	<u>(154,911)</u>
FINANCING ACTIVITIES		
Repayment of long term debt	(176,198)	(245,532)
Proceeds from deferred contributions related to capital assets	<u>87,000</u>	<u>90,300</u>
Cash flow used by financing activities	<u>(89,198)</u>	<u>(155,232)</u>
DECREASE IN CASH	(46)	(641,273)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>671,229</u>	<u>1,312,502</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 671,183</u>	<u>\$ 671,229</u>
Represented by:		
Cash	\$ 468,163	\$ 218,209
Short-term investments	<u>203,020</u>	<u>453,020</u>
	<u>\$ 671,183</u>	<u>\$ 671,229</u>

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2017

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, 2017

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, 2017

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, 2017.

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>2017</u>	<u>2016</u>
Accounts receivable	\$ 394,546	\$ 220,166
Receivable from Fredericton YMCA Endowment Fund Inc.	64,063	79,598
Allowance for doubtful accounts	<u>(97,354)</u>	<u>(18,315)</u>
	<u>\$ 361,255</u>	<u>\$ 281,449</u>

5. PLEDGES RECEIVABLE

The total of unconditional promises to give due in one year is \$nil (2016 - \$10,000) relating to the capital campaign.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	<u>2017 Net book value</u>	2016 Net book value
Land	\$ 2,529,000	\$ -	\$ 2,529,000	\$ 2,529,000
Buildings	17,290,175	4,314,249	12,975,926	13,667,535
Equipment	1,328,401	1,104,569	223,832	205,083
Leasehold improvements	2,809	1,128	1,681	2,247
	<u>\$ 21,150,385</u>	<u>\$ 5,419,946</u>	<u>\$ 15,730,439</u>	<u>\$ 16,403,865</u>

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$47,504 (2016 - \$18,936), which includes amounts payable for HST.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2017

8. DEFERRED REVENUE, GRANTS AND DONATIONS

	<u>2017</u>	<u>2016</u>
Expenses of future periods		
Balance, beginning of year	\$ 152,121	\$ 160,087
Less amounts recognized as revenue in the year	(420,037)	(651,116)
Add amounts received related to future periods	<u>378,926</u>	<u>643,150</u>
Balance, end of year	<u>\$ 111,010</u>	<u>\$ 152,121</u>

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

9. LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
Loan bearing interest at 5.8% per annum, repayable in monthly blended payments of \$17,857. The loan matures on May 6, 2021 and is secured by a general security agreement and a specific property with a carrying value of \$15,504,926.	\$ 2,010,952	\$ 2,187,150
Amounts payable within one year	<u>(101,683)</u>	<u>(258,510)</u>
	<u>\$ 1,909,269</u>	<u>\$ 1,928,640</u>

Principal repayment terms are approximately:

2018	\$ 101,683
2019	107,666
2020	113,709
2021	120,692
2022	127,793
Thereafter	<u>1,439,409</u>
	<u>\$ 2,010,952</u>

The Organization is required to comply with certain financial and non-financial covenants relative to the TD loan. As at December 31, 2017 the Organization was compliant with the financial covenants.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2017

10. DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Capital assets		
Balance, beginning of year	\$ 9,072,641	\$ 9,437,344
Less amounts amortized to revenue	(454,881)	(451,603)
Contributions	<u>77,000</u>	<u>86,900</u>
Balance, end of year	<u>\$ 8,694,760</u>	<u>\$ 9,072,641</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. INTERNALLY RESTRICTED

The Board has internally restricted the following:

	<u>2017</u>	<u>2016</u>
International activities	\$ -	\$ 129,195
Major repairs	<u>40,000</u>	<u>40,000</u>
	<u>\$ 40,000</u>	<u>\$ 169,195</u>

During the year, the Board of Directors approved the transfer of \$129,195 (2016 - \$11,346) from the International Activities fund to support activities carried out by the International department.

12. INVESTMENT IN CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
(a) Investment in capital assets is calculated as follows:		
Capital assets	\$ 15,730,439	\$ 16,403,865
Amounts financed by:		
Long-term debt	(2,010,952)	(2,187,150)
Deferred contributions - capital assets	<u>(8,694,760)</u>	<u>(9,072,641)</u>
	<u>\$ 5,024,727</u>	<u>\$ 5,144,074</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	\$ (454,881)	\$ (451,603)
Amortization of capital assets	<u>752,184</u>	<u>818,658</u>
	<u>\$ 297,303</u>	<u>\$ 367,055</u>

(continues)

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2017

12. INVESTMENT IN CAPITAL ASSETS *(continued)*

	<u>2017</u>	<u>2016</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 78,758	\$ 154,911
Amount funded by deferred contributions	(77,000)	(86,900)
Repayment of long-term debt	<u>176,198</u>	<u>245,532</u>
	<u>\$ 177,956</u>	<u>\$ 313,543</u>

13. GRANTS

	<u>2017</u>	<u>2016</u>
Provincial	\$ 665,102	\$ 549,498
Other	71,236	68,274
Municipal	7,650	7,650
Federal	<u>7,283</u>	<u>11,797</u>
	<u>\$ 751,271</u>	<u>\$ 637,219</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 \$27,400 (2016 - \$41,889) 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, 2017

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 \$2,081,764, 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 (2016 - \$75,000) has been received from the Fund and recorded as deferred contributions related to property and equipment;
- ii) an amount of \$5,000 (2016 - \$10,000) has been recorded as a Strong Kids donation;
- iii) an amount of \$7,500 (2016 -\$7,500) representing management services is recorded in administration fees; and
- iv) the Organization will receive \$63,563 from the Fund which is included in accounts receivable at December 31, 2017 (2016 - \$79,598).

17. PRIOR PERIOD ADJUSTMENT

The Organization discovered that, as a result of a prior period accounting error, deferred contributions were being amortized using an improper method. Deferred contributions were being amortized using a declining balance method as opposed to a straight line method used for the associated asset. A prior period adjustment has been recorded to retroactively restate the 2016 comparative figures due to the change in amortization methods. The net effect to correcting this in 2016 is a reduction in deferred contributions of \$174,867 and an increase to amortization of deferred contributions in 2016 of \$66,290 and an increase to net assets of \$108,577 for the portion related to years prior to 2016.

18. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.