

THE FREDERICTON YMCA INC.

Financial Statements

Year Ended December 31, 2018

THE FREDERICTON YMCA INC.
Index to Financial Statements
Year Ended December 31, 2018

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenditures	5
Statement of Cash Flow	6
Notes to Financial Statements	7 - 13

INDEPENDENT AUDITOR'S REPORT

To the Members of The Fredericton YMCA Inc.

Qualified Opinion

We have audited the financial statements of The Fredericton YMCA Inc. (the Organization), which comprise the statement of financial position as at December 31, 2018, and the statements of changes in net assets, revenues and expenditures and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and fundraising, 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 contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

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


(continues)

Independent Auditor's Report to the Members of The Fredericton YMCA Inc. *(continued)*

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:

- 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.



Fredericton, New Brunswick
April 29, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

THE FREDERICTON YMCA INC.

Statement of Financial Position

December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 877,497	\$ 671,183
Accounts receivable (Note 4)	333,502	361,255
Inventory	34,943	36,324
Prepaid expenses	10,753	6,521
	<u>1,256,695</u>	1,075,283
CAPITAL ASSETS (Note 5)	<u>14,951,550</u>	15,730,439
	<u>\$ 16,208,245</u>	\$ 16,805,722
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable (Note 6)	\$ 275,928	\$ 387,290
Deferred revenue, membership and program fees	235,663	293,179
Deferred revenue, grants and donations (Note 7)	132,369	111,010
Current portion of long term debt (Note 8)	107,666	101,683
	<u>751,626</u>	893,162
LONG TERM DEBT (Note 8)	<u>1,801,603</u>	1,909,269
DEFERRED CONTRIBUTIONS - CAPITAL ASSETS (Note 9)	<u>8,321,639</u>	8,694,760
LONG-TERM LIABILITIES - YMCA CANADA	<u>15,859</u>	-
	<u>10,890,727</u>	11,497,191
NET ASSETS		
Unrestricted	556,876	243,804
Internally restricted (Note 10)	40,000	40,000
Invested in capital assets (Note 11)	4,720,642	5,024,727
	<u>5,317,518</u>	5,308,531
	<u>\$ 16,208,245</u>	\$ 16,805,722

ON BEHALF OF THE BOARD

_____ Director

_____ Director

THE FREDERICTON YMCA INC.
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Unrestricted	Internally Restricted <i>(Note 10)</i>	Invested in Capital Assets <i>(Note 11)</i>	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 243,804	\$ 40,000	\$ 5,024,727	\$ 5,308,531	\$ 5,486,984
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	431,829	-	(422,842)	8,987	(178,452)
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS	(118,757)	-	118,757	-	-
NET ASSETS - END OF YEAR	\$ 556,876	\$ 40,000	\$ 4,720,642	\$ 5,317,518	\$ 5,308,532

THE FREDERICTON YMCA INC.
Statement of Revenues and Expenditures
Year Ended December 31, 2018

	2018	2017
REVENUE		
Memberships	\$ 2,038,937	\$ 1,865,673
Childcare	1,187,246	1,075,586
Grants <i>(Note 12)</i>	708,594	751,271
Program fees	290,826	264,926
Cultures retail sales	183,879	205,630
Donations and fundraising	183,841	172,604
Administration fees	72,021	80,829
Facility rental	41,284	38,173
Other	2,671	9,876
	4,709,299	4,464,568
EXPENSES		
Salaries and benefits	2,506,757	2,628,544
Building and maintenance	589,281	529,203
Programs and services	492,128	504,842
Administration	460,832	422,515
Interest on long term debt	112,498	119,606
Cultures purchases	92,392	121,650
Bad debts	21,782	17,557
International projects	1,800	1,800
	4,277,470	4,345,717
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	431,829	118,851
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions - capital assets	458,121	454,881
Amortization of capital assets	(746,362)	(752,184)
Impairment of assets <i>(Note 16)</i>	(134,601)	-
	(422,842)	(297,303)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 8,987	\$ (178,452)

THE FREDERICTON YMCA INC.

Statement of Cash Flow

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 8,987	\$ (178,452)
Items not affecting cash:		
Amortization of capital assets	746,362	752,184
Amortization of deferred contributions - capital assets	(458,121)	(454,881)
Impairment of assets	134,601	-
	<u>431,829</u>	<u>118,851</u>
Changes in non-cash working capital:		
Accounts receivable	27,753	(79,806)
Inventory	1,381	3,331
Accounts payable	(111,362)	216,541
Deferred revenue, membership and program fees	(57,516)	(55,632)
Prepaid expenses	(4,232)	5,737
Deferred revenue, grants and donations	21,359	(41,111)
	<u>(122,617)</u>	<u>49,060</u>
Cash flow from operating activities	<u>309,212</u>	<u>167,911</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(102,074)</u>	<u>(78,758)</u>
FINANCING ACTIVITIES		
Long-term liabilities - YMCA Canada	15,859	-
Repayment of long term debt	(101,683)	(176,198)
Proceeds from deferred contributions related to capital assets	85,000	87,000
Cash flow used by financing activities	<u>(824)</u>	<u>(89,198)</u>
INCREASE (DECREASE) IN CASH	206,314	(45)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	671,183	671,229
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 877,497	\$ 671,184
Represented by:		
Cash	\$ 677,497	\$ 468,163
Short-term investments	200,000	203,020
	<u>\$ 877,497</u>	<u>\$ 671,183</u>

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2018

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, 2018

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, 2018

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, 2018.

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>2018</u>	<u>2017</u>
Accounts receivable	\$ 307,262	\$ 394,546
Receivable from Fredericton YMCA Endowment Fund Inc.	65,824	64,063
Allowance for doubtful accounts	<u>(39,584)</u>	<u>(97,354)</u>
	<u>\$ 333,502</u>	<u>\$ 361,255</u>

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 2,529,000	\$ -	\$ 2,529,000	\$ 2,529,000
Buildings	17,290,175	5,005,856	12,284,319	12,975,926
Equipment	1,295,873	1,158,762	137,111	223,832
Leasehold improvements	2,809	1,689	1,120	1,681
	<u>\$ 21,117,857</u>	<u>\$ 6,166,307</u>	<u>\$ 14,951,550</u>	<u>\$ 15,730,439</u>

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$33,974 (2017 - \$47,504), which includes amounts payable for HST.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2018

7. DEFERRED REVENUE, GRANTS AND DONATIONS

	<u>2018</u>	<u>2017</u>
Expenses of future periods		
Balance, beginning of year	\$ 111,010	\$ 152,121
Less amounts recognized as revenue in the year	(390,953)	(420,037)
Add amounts received related to future periods	<u>412,312</u>	<u>378,926</u>
Balance, end of year	<u>\$ 132,369</u>	<u>\$ 111,010</u>

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

8. LONG TERM DEBT

	<u>2018</u>	<u>2017</u>
TD 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 \$14,813,319.	\$ 1,909,269	\$ 2,010,952
Amounts payable within one year	<u>(107,666)</u>	<u>(101,683)</u>
	<u>\$ 1,801,603</u>	<u>\$ 1,909,269</u>

Principal repayment terms are approximately:

2019	\$ 107,666
2020	113,709
2021	<u>1,687,894</u>
	<u>\$ 1,909,269</u>

The Organization is required to comply with certain financial and non-financial covenants relative to the TD loan. As at December 31, 2018 the Organization was compliant with the financial covenants.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2018

9. DEFERRED CONTRIBUTIONS - CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Capital assets		
Balance, beginning of year	\$ 8,694,760	\$ 9,072,641
Less amounts amortized to revenue	(458,121)	(454,881)
Contributions	<u>85,000</u>	<u>77,000</u>
Balance, end of year	<u>\$ 8,321,639</u>	<u>\$ 8,694,760</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.

10. INTERNALLY RESTRICTED

The Board has internally restricted the following:

	<u>2018</u>	<u>2017</u>
Major repairs	<u>\$ 40,000</u>	<u>\$ 40,000</u>

11. INVESTMENT IN CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
(a) Investment in capital assets is calculated as follows:		
Capital assets	\$ 14,951,550	\$ 15,730,439
Amounts financed by:		
Long-term debt	(1,909,269)	(2,010,952)
Deferred contributions - capital assets	<u>(8,321,639)</u>	<u>(8,694,760)</u>
	<u>\$ 4,720,642</u>	<u>\$ 5,024,727</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	\$ (458,121)	\$ (454,881)
Amortization of Capital Assets	746,362	752,184
Impairment of assets	<u>134,601</u>	<u>-</u>
	<u>\$ 422,842</u>	<u>\$ 297,303</u>

(continues)

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year Ended December 31, 2018

11. INVESTMENT IN CAPITAL ASSETS *(continued)*

	<u>2018</u>	<u>2017</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 102,074	\$ 78,758
Amount funded by deferred contributions	(85,000)	(77,000)
Repayment of long-term debt	<u>101,683</u>	<u>176,198</u>
	<u>\$ 118,757</u>	<u>\$ 177,956</u>

12. GRANTS

	<u>2018</u>	<u>2017</u>
Provincial	\$ 621,931	\$ 665,102
Other	68,978	71,236
Federal	10,035	7,283
Municipal	<u>7,650</u>	<u>7,650</u>
	<u>\$ 708,594</u>	<u>\$ 751,271</u>

13. 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 \$31,368 (2017 - \$27,400) was contributed to the plan.

14. 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, 2018

15. 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 \$1,984,179, 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 (2017 - \$75,000) has been received from the Fund and recorded as deferred contributions related to property and equipment;
- ii) an amount of \$nil (2017 - \$5,000) has been recorded as a Strong Kids donation;
- iii) an amount of \$7,500 (2017 -\$7,500) representing management services is recorded in administration fees; and
- iv) the Organization will receive \$65,824 from the Fund which is included in accounts receivable at December 31, 2018 (2017 - \$63,563).

16. IMPAIRMENT OF ASSETS

During the year the decision was made to discontinue participation in the Federation's Dynamics for Membership project to develop membership/registration software and invest in an alternate software solution. As a result, the value of the related Dynamics for Membership asset was determined to be impaired and an impairment loss of \$134,601 was recorded in the year.

17. COMPARATIVE FIGURES

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