



Financial Statements of

THE FREDERICTON YMCA INC.

Years ended December 31, 2012 and 2011

THE FREDERICTON YMCA INC.

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INDEPENDENT AUDITORS' REPORT

To the Members of The Fredericton YMCA Inc.

We have audited the accompanying financial statements of The Fredericton YMCA Inc., which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Fredericton YMCA Inc. as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

March 25, 2013

Fredericton, Canada

THE FREDERICTON YMCA INC.

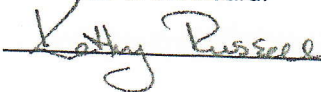
Statement of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

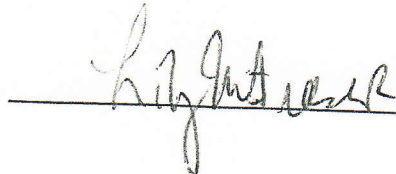
	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,277,178	\$ 1,546,497	\$ 3,149,495
Accounts receivable (note 2)	129,789	872,514	603,035
Pledges receivable (note 3)	560,496	597,213	652,964
Inventories	36,075	39,059	42,564
Prepaid expenses and deposits	9,382	9,177	145,159
Assets held for sale (note 4)	1,605,074	1,605,074	-
	3,617,994	4,669,534	4,593,217
Capital assets (note 5)	19,218,389	19,905,403	10,314,691
	<u>\$ 22,836,383</u>	<u>\$ 24,574,937</u>	<u>\$ 14,907,908</u>
Liabilities and Net Assets			
Current liabilities:			
Demand loan (note 6)	\$ -	\$ 1,200,000	\$ -
Accounts payable and accrued liabilities	290,843	592,355	946,718
Government remittances payable	5,317	3,385	2,197
Deferred revenue, membership fees	315,050	292,655	373,548
Current portion of long-term debt (note 8)	873,880	124,893	-
Deferred contributions on asset held for sale (note 4)	1,452,939	1,452,938	-
	2,938,029	3,666,226	1,322,463
Deferred contributions (note 7)			
Expenses of future periods	333,437	569,253	646,135
Capital assets	9,820,146	9,537,845	6,214,626
	10,153,583	10,107,098	6,860,761
Long-term debt (note 8)	5,298,062	6,087,087	1,685,671
Net Assets:			
Invested in capital assets	3,378,436	3,107,714	2,803,584
Internally restricted (note 10)	24,294	29,138	1,914,805
Unrestricted	1,043,979	1,577,674	320,624
	4,446,709	4,714,526	5,039,013
Commitments (note 15)			
	<u>\$ 22,836,383</u>	<u>\$ 24,574,937</u>	<u>\$ 14,907,908</u>

See accompanying notes to financial statements.

On behalf of the Board:



Members



Members

THE FREDERICTON YMCA INC.

Statements of Operations

Years ended December 31, 2012 and 2011

	2012	2011
Revenues:		
Memberships	\$ 1,887,282	\$ 983,213
Programs	1,490,105	1,641,707
Provincial grants	611,012	670,771
Federal grants	237,499	261,715
Cultures	224,874	229,243
Donations	111,203	118,410
Accretion on non-interest bearing debt	102,245	96,926
Administration and overheads	94,696	267,872
United Way	35,390	34,908
Membership services	21,682	7,386
Fundraising	19,699	8,862
Facility rental	10,292	22,609
Municipal grants	7,650	7,650
	4,653,549	4,351,272
Expenses:		
Salaries and benefits	1,949,419	1,934,177
Administration	994,591	850,841
Utilities	314,399	234,034
Other interest and bank charges	290,925	190,913
Rent	233,750	173,379
Cultures	200,581	197,502
Supplies	163,554	268,527
Accretion of long-term debt	102,245	96,926
Transportation	101,590	139,268
Telephone	39,654	44,262
Administration fees	34,745	87,334
Advertising	25,065	37,668
Staff and Volunteer Development	11,525	83,060
Bad debts	11,458	-
Overseas projects	1,800	72,258
	4,475,301	4,410,149
Excess (deficiency) of revenues over expenses before capital campaign and amortization	178,248	(58,877)
Other expenses (revenue):		
Amortization of deferred contributions related to capital assets	(408,014)	(156,876)
Amortization of capital assets	820,093	334,199
Capital campaign	33,986	88,287
	446,065	265,610
Deficiency of revenues over expenses	\$ (267,817)	\$ (324,487)

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

December 31, 2012	Invested in capital assets (note 9)	Internally restricted (note 10)	Unrestricted	Total
Balance, beginning of year	\$ 3,107,714	\$ 29,138	\$ 1,577,674	\$ 4,714,526
Excess (deficiency) of revenues over expenses	(412,079)	-	144,262	(267,817)
Net change in investment in capital assets	682,801	-	(682,801)	-
Board of Directors' transfers: International activities	-	(4,844)	4,844	-
Balance, end of year	\$ 3,378,436	\$ 24,294	\$ 1,043,979	\$ 4,446,709

December 31, 2011	Invested in capital assets	Internally restricted	Unrestricted	Total
Balance, beginning of year	\$ 2,803,584	\$ 1,914,805	\$ 320,624	\$ 5,039,013
Excess (deficiency) of revenues over expenses	(177,323)	-	(147,164)	(324,487)
Net change in investment in capital assets	481,453	-	(481,453)	-
Board of Directors' transfers: International activities	-	13,697	(13,697)	-
Transfer for capital campaign	-	(1,899,364)	1,899,364	-
Balance, end of year	\$ 3,107,714	\$ 29,138	\$ 1,577,674	\$ 4,714,526

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Deficiency of revenues over expenses	\$ (267,817)	\$ (324,487)
Items not involving cash:		
Amortization of capital assets	820,093	334,199
Loss on disposal of capital assets	-	5,310
Amortization of deferred contributions related to capital assets	(408,014)	(156,876)
	144,262	(141,854)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	742,725	(269,479)
Decrease in inventories	2,984	3,505
Decrease (increase) in prepaid expenses and deposits	(205)	135,982
Increase (decrease) in accounts payable and accrued liabilities	(301,512)	76,598
Increase in government remittances payable	1,932	1,188
Increase (decrease) in deferred revenue	22,395	(80,893)
Increase (decrease) in deferred contributions related to expenses of future periods	(235,816)	20,044
	376,765	(254,909)
Financing and investing activities:		
Increase in (repayment of) demand loan	(1,200,000)	1,200,000
Repayment of long-term debt	(40,038)	(70,617)
Proceeds of long-term debt	-	4,500,000
Decrease in pledges receivable	36,266	55,751
Acquisition of capital assets	(133,079)	(11,966,256)
Proceeds from deferred contributions related to capital assets	690,767	4,933,033
	(646,084)	(1,348,089)
Decrease in cash and cash equivalents	(269,319)	(1,602,998)
Cash and cash equivalents, beginning of year	1,546,497	3,149,495
Cash and cash equivalents, end of year	\$ 1,277,178	\$ 1,546,497

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Years ended December 31, 2012 and 2011

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 Fredericton YMCA Inc. 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.

On January 1, 2012, the Organization adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations (NPO accounting).

There are no adjustments to net assets as at January 1, 2011 or excess of revenues over expenses for the year ended December 31, 2011 as a result of the transition to Not-For-Profit Standards.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook.

(a) Revenue recognition:

The Organization follows the deferred method of accounting for contributions, which include 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 capital assets are deferred and amortized into revenue on the same basis and rates corresponding with the amortization of the related capital assets.

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

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

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and deposits or guaranteed investment certificates which are highly liquid.

(c) Inventories:

Inventories consist of goods held for resale in the Cultures gift shop and the Pro Shop and are valued at lower of replacement cost and net realizable value.

(d) Asset held for sale:

The asset held for sale is carried at the lower of its cost and estimated net realizable value. Unamortized deferred contributions on asset held for sale have been reclassified to current liabilities.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Building	Declining balance	4%
Parking lot	Declining balance	4%
Leasehold improvements	Straight line	20%
Equipment	Straight line	20%

No amortization is taken on construction in progress until the related assets are in use.

No amortization is taken on assets held for sale.

(f) Restricted net assets:

Internally restricted net assets include amounts restricted by the Board for future facility repair and replacement, for international activities and for the capital campaign. These internally restricted amounts are not available for other purposes without approval by the Board of Directors. During fiscal 2011, the Board approved the transfer of \$1,899,364 for the capital campaign.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(g) Contributed services:

Volunteers contribute thousands of hours per year to assist the Organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(h) 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 amounts of accounts receivable, assets held for sale and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

(i) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost of amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method (or effective interest rate method).

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

2. Accounts receivable:

	December 31, 2012	December 31, 2011	January 1, 2011
Accounts receivable	\$ 148,848	\$ 880,115	\$ 603,035
Allowance for doubtful accounts	(19,059)	(7,601)	-
	\$ 129,789	\$ 872,514	\$ 603,035

3. Pledges receivable:

The total of unconditional promises to give due in one year is \$560,496 (December 31, 2011 - \$597,213 and January 1, 2011 - \$652,964).

Pledges receivable due more than one year from the date of the financial statements totaling \$1,264,133 have not been recorded.

4. Assets held for sale:

The Organization has a plan in place to sell the facility on Saunders Street in Fredericton, New Brunswick. The Organization is actively seeking buyers for the location and expects to conclude a sale within the next twelve months. As a result, no amortization has been recorded on the facility.

The Organization originally received contributions to fund the acquisition of the building. All remaining deferred contributions not previously recognized in the statement of operations have been classified as deferred contributions held for sale. Upon disposition of the facility, these amounts will be included in the determination of gains or losses on disposition.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

5. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 2,529,000	\$ -	\$ 2,529,000
Building	17,145,453	856,268	16,289,185
Leasehold improvements	32,751	32,751	-
Equipment	1,206,820	806,616	400,204
	<u>\$ 20,914,024</u>	<u>\$ 1,695,635</u>	<u>\$ 19,218,389</u>
December 31, 2011	Cost	Accumulated amortization	Net book value
Land (Albert Street)	\$ 2,529,001	\$ -	\$ 2,529,001
Building	17,044,948	170,450	16,874,498
Leasehold improvements	32,751	30,860	1,891
Equipment	1,174,245	674,232	500,013
	<u>\$ 20,780,945</u>	<u>\$ 875,542</u>	<u>\$ 19,905,403</u>
January 1, 2011	Cost	Accumulated amortization	Net book value
Land (Albert Street)	\$ 2,529,001	\$ -	\$ 2,529,001
Building	4,200,531	2,534,962	1,665,569
Parking lot	14,306	7,922	6,384
Leasehold improvements	32,751	24,310	8,441
Equipment	983,780	864,283	119,497
Construction in progress (Albert Street)	5,985,799	-	5,985,799
	<u>\$ 13,746,168</u>	<u>\$ 3,431,477</u>	<u>\$ 10,314,691</u>

6. Demand loan:

The Organization had an operating demand loan with the TD bank bearing interest of prime plus 0.25%, which was paid off in the year (December 31, 2011 - \$1,200,000 and January 1, 2011 - nil).

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Deferred contributions:

(a) Expenses of future periods:

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

	2012	2011
Balance, beginning of year	\$ 569,253	\$ 646,135
Less amounts recognized as revenue in the year	(846,548)	(995,582)
Add amounts received related to future periods	610,732	918,700
Balance, end of year	\$ 333,437	\$ 569,253

(b) Capital assets:

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

	2012	2011
Balance, beginning of year	\$ 10,990,783	\$ 6,214,626
Less amounts amortized to revenue	(408,014)	(156,876)
Add additional contributions	690,316	4,932,033
	11,273,085	10,989,783
Reclassified to current for asset held for sale	(1,452,939)	(1,452,938)
Balance, end of year	\$ 9,820,146	\$ 9,536,845

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Deferred contributions (continued):

(b) Capital assets (continued):

The balance of unamortized capital contributions related to capital assets consists of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
Unamortized capital contributions used to purchase assets	\$ 11,273,085	\$ 10,990,783	\$ 5,825,437
Unspent contributions	-	-	389,189
	\$ 11,273,085	\$ 10,990,783	\$ 6,214,626

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

8. Long-term debt:

	December 31, 2012	December 31, 2011	January 1, 2011
Unsecured repayable contribution with a face value of \$2,000,000, with 0% interest, discounted to present value using a prevailing market rate on similar terms and unsecured debt of 5.75%, with payments at March 15, 2013 for \$750,000, March 15, 2014 for \$750,000, and March 15, 2015 for \$500,000	\$ 1,884,842	\$ 1,782,597	\$ 1,685,671
\$4,500,000 mortgage with an interest rate of 5.8%, monthly payments of \$31,547 are due on the 6th of each month with a maturity of May 6, 2021	4,287,100	4,429,383	-
	6,171,942	6,211,980	1,685,671
Less current portion of long-term debt	873,880	124,893	-
Balance, end of year	\$ 5,298,062	\$ 6,087,087	\$ 1,685,671

Principal repayments are due as follows:

2013	\$ 873,880
2014	890,215
2015	648,568
2016	157,417
2017	166,794
Thereafter	3,435,068
	\$ 6,171,942

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

9. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Capital assets	\$ 20,823,463	\$ 21,510,477	\$ 10,314,691
Amounts financed by deferred contributions	(11,273,085)	(10,990,783)	(5,825,436)
Amounts financed by debt	(6,171,942)	(7,411,980)	(1,685,671)
	<u>\$ 3,378,436</u>	<u>\$ 3,107,714</u>	<u>\$ 2,803,584</u>

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

	2012	2011
Excess of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ 408,014	\$ 156,876
Amortization of capital assets	(820,093)	(334,199)
	<u>\$ (412,079)</u>	<u>\$ (177,323)</u>
Net change in investment in capital assets:		
Capital assets acquired	\$ 133,079	\$ 11,535,295
Amount funded by deferred contributions	(690,767)	(5,322,222)
Amount funded by long-term debt	-	(5,731,620)
Repayment of long term debt	1,240,489	-
	<u>\$ 682,801</u>	<u>\$ 481,453</u>

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

10. Internally restricted:

The Board has internally restricted the following:

	December 31, 2012	December 31, 2011	January 1, 2011
Reserve for repairs and capital development	\$ -	\$ -	\$ 1,824,364
International activities	24,294	29,138	15,441
Capital campaign	-	-	75,000
	<u>\$ 24,294</u>	<u>\$ 29,138</u>	<u>\$ 1,914,805</u>

11. Restatement of comparative information:

On transition to Canadian accounting standards for not-for-profit organizations certain non-material reclassifications were made. These reclassifications were not required as part of the transition to Canadian accounting standards for not-for-profit organizations and were made to correct the presentation of assets held for sale and related deferred contributions which have been reclassified from long-term to current assets and liabilities, respectively. These changes do not affect the prior year's deficiency of revenues over expenses.

12. Financial risks and concentration of credit risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss. The Organization is exposed to credit risk with respect to the accounts and pledges receivable. The Organization assesses, on a continuous basis, accounts and pledges receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(b) Other risk:

There are no other reportable risks.

13. 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 manage funds in support of The Fredericton YMCA Inc. During the year, the Organization recorded revenue for unrestricted donations from the Fund of \$100,000 (2011 - \$100,000).

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

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 ending December 31, 2012, \$41,381 (2011 - \$41,483) was contributed to the plan.

15. Commitments:

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.