



Financial Statements of

THE FREDERICTON YMCA INC.

Year ended December 31, 2013

THE FREDERICTON YMCA INC.

Table of Contents

	Page
Independent Auditors' Report	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 13

**KPMG LLP**

Frederick Square
77 Westmorland Street Suite 700
Fredericton NB E3B 6Z3
Telephone (506) 452-8000
Fax (506) 450-0072
Internet www.kpmg.ca

One Factory Lane
Place Marven's
PO Box 827
Moncton NB E1C 8N6
Telephone (506) 856-4400
Fax (506) 856-4499

Harbour Building
133 Prince William Street
PO Box 2388 Stn Main
Saint John NB E2L 3V6
Telephone (506) 634-1000
Fax (506) 633-8828

INDEPENDENT AUDITORS' REPORT

To the Members of The Fredericton YMCA Inc.

We have audited the accompanying financial statements of The Fredericton YMCA Inc. (the Organization), which comprise the statement of financial position as at December 31, 2013, the statements of operations, changes in net assets and cash flows for the year then ended, 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 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 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 Organization'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 Organization'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 and fundraising revenue, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue and excess (deficiency) of revenues over expenses reported in the statement of operations and cash flows and assets and net assets reported in the statement of financial position.

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 Organization as at December 31, 2013, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

April 7, 2014

Fredericton, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

THE FREDERICTON YMCA INC.

Statement of Financial Position

December 31, 2013, with comparative information for December 31, 2012


	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,518,974	\$ 1,277,178
Accounts receivable (note 2)	300,701	129,789
Pledges receivable (note 3)	477,576	560,496
Inventories	37,473	36,075
Prepaid expenses and deposits	10,690	9,382
Assets held for sale	-	1,605,074
	2,345,414	3,617,994
Capital assets (note 4)	18,615,235	19,218,389
	\$ 20,960,649	\$ 22,836,383

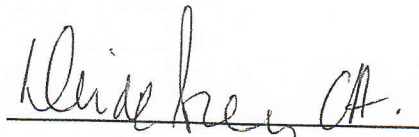
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 317,921	\$ 296,160
Deferred revenue, membership fees	349,181	315,050
Current portion of long-term debt (note 6)	170,133	873,880
Deferred contributions on asset held for sale	-	1,452,939
	837,235	2,938,029
Long-term debt (note 6)	3,543,797	5,298,062
Deferred contributions (note 7)		
Expenses of future periods	162,323	333,437
Capital assets	10,071,932	9,820,146
	10,234,255	10,153,583
Net assets:		
Invested in capital assets	4,829,373	3,378,436
Internally restricted (note 9)	84,044	24,294
Unrestricted	1,431,945	1,043,979
	6,345,362	4,446,709
	\$ 20,960,649	\$ 22,836,383

See accompanying notes to financial statements.

On behalf of the Board:

 Member

 Member

THE FREDERICTON YMCA INC.

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Revenues:		
Memberships	\$ 1,857,660	\$ 1,687,202
Programs	1,675,823	1,490,105
Provincial grants	702,618	611,012
Cultures	204,115	224,874
Donations	157,053	111,203
Administration fees	92,796	94,696
Federal grants	87,161	237,499
Membership services	43,278	21,682
United Way	27,615	35,390
Facility rental	24,469	10,292
Municipal grants	12,150	7,650
Fundraising	2,847	19,699
Accretion on non-interest bearing debt	-	102,245
	4,887,585	4,653,549
Expenses:		
Salaries and benefits	2,006,692	1,949,419
Administration	976,726	994,591
Utilities	314,729	314,399
Rent	242,246	233,750
Interest on long-term debt	236,642	268,329
Cultures	211,223	200,581
Supplies	198,147	163,554
Transportation	94,772	101,590
Administration fees	40,164	34,745
Advertising	37,477	25,065
Telephone	36,657	39,654
Other interest and bank charges	22,485	22,596
Staff and Volunteer Development	19,056	11,525
Overseas projects	1,800	1,800
Accretion of long-term debt	-	102,245
Bad debts (recovered)	(2,657)	11,458
	4,436,159	4,475,301
Excess of revenues over expenses before the undernoted items	451,426	178,248
Other revenue (expenses):		
Amortization of deferred contributions related to capital assets	417,344	408,014
Amortization of capital assets	(817,691)	(820,093)
Capital campaign	(291)	(33,986)
Gain on sale of assets held for sale (note 10)	1,847,865	-
	1,447,227	(446,065)
Excess (deficiency) of revenues over expenses	\$ 1,898,653	\$ (267,817)

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

	Invested in capital assets (note 8)	Internally restricted (note 9)	Unrestricted	Total 2013	Total 2012
Balance, beginning of year	\$ 3,378,436	\$ 24,294	\$ 1,043,979	\$ 4,446,709	\$ 4,714,526
Excess (deficiency) of revenues over expenses	1,052,592	-	846,061	1,898,653	(267,817)
Net change in investment in capital assets	398,345	-	(398,345)	-	-
Board of Directors' transfers:					
International activities	-	39,750	(39,750)	-	-
Major repairs	-	20,000	(20,000)	-	-
Balance, end of year	\$ 4,829,373	\$ 84,044	\$ 1,431,945	\$ 6,345,362	\$ 4,446,709

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenses	\$ 1,898,653	\$ (267,817)
Items not involving cash:		
Amortization of deferred contributions related to capital assets	(417,344)	(408,014)
Amortization of capital assets	817,691	820,093
Gain on sale of assets held for sale (note 10)	(1,847,865)	-
	451,135	144,262
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	(170,912)	742,725
Decrease in pledges receivable	82,920	36,266
Decrease (increase) in inventories	(1,398)	2,984
Increase in prepaid expenses and deposits	(1,308)	(205)
Increase (decrease) in accounts payable and accrued liabilities	21,761	(299,580)
Increase in deferred membership fees	34,131	22,395
	416,329	648,847
Financing and investing activities:		
Repayment of demand loan	-	(1,200,000)
Repayment of long-term debt	(573,170)	(40,038)
Decrease in deferred contributions related to expenses of future periods	(55,956)	(235,816)
Purchase of capital assets	(214,537)	(133,079)
Proceeds from deferred contributions related to capital assets	669,130	690,767
	(174,533)	(918,166)
Increase (decrease) in cash and cash equivalents	241,796	(269,319)
Cash and cash equivalents, beginning of year	1,277,178	1,546,497
Cash and cash equivalents, end of year	\$ 1,518,974	\$ 1,277,178

See accompanying notes to financial statements.

THE FREDERICTON YMCA INC.

Notes to Financial Statements

Year ended December 31, 2013

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.

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 CPA Canada 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 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.

(b) Cash and cash equivalents:

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

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(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. Net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to make the sale.

(d) 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	Straight line	4%
Leasehold improvements	Straight line	20%
Equipment	Straight line	20%

When a capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

(e) Internally restricted net assets:

Internally restricted net assets include amounts restricted by the Board of Director's 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.

(f) 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.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimation and assumptions include the carrying amounts of capital assets, deferred contributions, accrued liabilities and valuation allowances for receivables. Actual results could differ from those estimates.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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 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.

2. Accounts receivable:

	2013	2012
Accounts receivable	\$ 317,103	\$ 148,848
Allowance for doubtful accounts	(16,402)	(19,059)
	<u>\$ 300,701</u>	<u>\$ 129,789</u>

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

3. Pledges receivable:

The total of unconditional promises to give due in one year is \$477,576 (2012 - \$560,496).

Pledges receivable due more than one year from the date of the financial statements totaling \$185,438 have not been recorded.

4. Capital assets:

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Land (Albert Street)	\$ 2,529,000	\$ -	\$ 2,529,000	\$ 2,529,000
Building	17,288,755	1,547,817	15,740,938	16,289,185
Leasehold improvements	32,751	32,751	-	-
Equipment	1,278,054	932,757	345,297	400,204
	\$ 21,128,560	\$ 2,513,325	\$ 18,615,235	\$ 19,218,389

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$17,344 (2012 - \$5,317), which includes amounts payable for HST and payroll related taxes.

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Long-term debt:

	2013	2012
\$4,500,000 mortgage with an interest rate of 5.8%, monthly payments of \$31,547, secured by specific property, with a maturity of May 6, 2021. The Organization is required to comply with certain financial and non-financial covenants	\$ 3,713,930	\$ 4,287,100
Unsecured repayable contribution with a face value of \$2,000,000, with 0% interest	-	1,884,842
	3,713,930	6,171,942
Less current portion of long-term debt	170,133	873,880
Balance, end of year	\$ 3,543,797	\$ 5,298,062

Principal repayments are due as follows:

2014	\$ 170,133
2015	180,144
2016	190,743
2017	201,967
2018	213,851
Thereafter	2,757,092
	\$ 3,713,930

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

7. Deferred contributions:

(a) Expenses of future periods:

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

	2013	2012
Balance, beginning of year	\$ 333,437	\$ 569,253
Less amounts recognized as revenue in the year	(783,055)	(846,548)
Add amounts received related to future periods	611,941	610,732
Balance, end of year	\$ 162,323	\$ 333,437

(b) Capital assets:

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.

	2013	2012
Balance, beginning of year	\$ 9,820,146	\$ 10,990,783
Less amounts amortized to revenue	(417,344)	(408,014)
Additional contributions received	669,130	690,316
	10,071,932	11,273,085
Reclassified to current for asset held for sale	-	(1,452,939)
Balance, end of year	\$ 10,071,932	\$ 9,820,146

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

8. Investment in capital assets:

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

	2013	2012
Capital assets	\$ 18,615,235	\$ 20,823,463
Amounts financed by:		
Long-term debt	(3,713,930)	(6,171,942)
Deferred contributions	(10,071,932)	(9,820,146)
Deferred contributions reclassified to asset held for resale	-	(1,452,939)
	\$ 4,829,373	\$ 3,378,436

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

	2013	2012
Excess of revenues over expenses:		
Amortization of deferred contributions related to capital assets	\$ (417,344)	\$ (408,014)
Amortization of capital assets	817,691	820,093
Deferred contributions on asset held for sale	1,452,939	-
	\$ 1,853,286	\$ 412,079
Net change in investment in capital assets:		
Purchase of capital assets	\$ 214,537	\$ 133,079
Amount funded by deferred contributions	(669,130)	(690,767)
Disposal of asset held for sale	(1,605,074)	-
Repayment of long-term debt	573,170	1,240,489
Forgiveness of the repayable contribution, net of discount in the amount of \$115,158	1,884,842	-
	\$ 398,345	\$ 682,801

THE FREDERICTON YMCA INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

9. Internally restricted:

The Board has internally restricted the following:

	2013	2012
International activities	\$ 64,044	\$ 24,294
Major repairs	20,000	-
	\$ 84,044	\$ 24,294

10. Gain on sale of assets held for sale:

During the year, the Organization disposed of its facility on Saunders Street in Fredericton, New Brunswick. The proceeds on disposition of the facility were such that the Province of New Brunswick converted the unsecured repayable contribution with a face value of \$2,000,000 (note 6) to a non-repayable contribution. The following summarizes the gain on sale of the facility recorded in the statement of operations:

Proceeds (forgiveness of the repayable contribution)	\$ 2,000,000
Less: Carrying value of the assets held for resale	(1,605,074)
Add: Deferred contributions received to fund the facility	1,452,939
Gain on sale of assets held for sale	\$ 1,847,865

11. 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, 2013, \$59,453 (2012 - \$41,381) was contributed to the plan.

12. 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 (continued)

Year ended December 31, 2013

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

- i) an amount of \$75,000 (2012 - \$75,000) has been received from the Fund and recorded as deferred contributions related to capital assets;
- ii) an amount of \$25,000 (2012 - \$25,000) has been received and recorded as fundraising;
- iii) an amount of \$7,500 (2012 - \$7,500) representing management services is recorded in provincial grants;
- iv) the Fund owes the Organization \$117,412, which is included in accounts receivable at December 31, 2013 (2012 - \$17,772 in accounts payable and accrued liabilities).

14. Financial 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) Interest rate risk:

The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the Organization to fair value risk while floating interest instruments, when outstanding, subject it to cash flow risk.

(c) Other risk:

There are no other reportable risks.

15. Comparative information:

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2013 financial statements.