

YMCA OF CENTRAL EAST ONTARIO

FINANCIAL STATEMENTS

December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of
YMCA OF CENTRAL EAST ONTARIO

We have audited the accompanying financial statements of **YMCA OF CENTRAL EAST ONTARIO**, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and changes in net assets and cash flows 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 Corporation'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 Corporation'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 not-for-profit organizations, **YMCA OF CENTRAL EAST ONTARIO** derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015 and net assets for the years then ended. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of **YMCA OF CENTRAL EAST ONTARIO** as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Belleville, Ontario
April 26, 2017

Welch LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

YMCA OF CENTRAL EAST ONTARIO
(Incorporated without share capital under the laws of Ontario)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	\$ 453,951	\$ 357,506
Short-term investments - note 4	4,367,824	4,305,361
Accounts receivable	161,513	242,923
Prepaid expenses	17,800	34,288
	5,001,088	4,940,078
TANGIBLE CAPITAL ASSETS - note 5	11,067,507	11,458,855
INTANGIBLE CAPITAL ASSETS - note 6	68,390	2,938
	\$ 16,136,985	\$ 16,401,871

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 556,676	\$ 741,822
Government remittances payable	139,158	108,354
Deferred revenue	126,077	115,828
Current portion of long-term debt	1,206,028	172,000
	2,027,939	1,138,004
LONG-TERM DEBT - note 7	2,976,972	4,183,000
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS - note 8	5,815,377	6,007,718
	10,820,288	11,328,722
NET ASSETS		
Invested in tangible and intangible capital assets - internally restricted	1,137,520	1,099,075
Internally restricted - debt repayment and capital development reserve - note 9	2,624,615	2,475,683
Unrestricted	1,554,562	1,498,391
	5,316,697	5,073,149
	\$ 16,136,985	\$ 16,401,871

Approved by the Board

_____ Director
 _____ Director

(See accompanying notes)

YMCA OF CENTRAL EAST ONTARIO
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Membership fees	\$ 5,076,467	\$ 5,029,071
Program fees	4,066,189	3,755,366
United Way	5,000	24,018
Grants and subsidies	30,000	31,084
Donations and fundraising	456,664	450,616
Rental and other	429,063	441,147
Amortization of deferred contributions related to capital assets	211,018	212,492
	<u>10,274,401</u>	<u>9,943,794</u>
EXPENSES		
Salaries, wages and benefits	6,537,004	6,201,639
Program	569,995	596,044
Administrative and support services	522,734	494,165
Building maintenance	1,459,518	1,455,143
Allocations to YMCA Canada	150,221	144,559
Amortization of tangible capital assets	571,786	556,705
Amortization of intangible capital assets	2,150	3,969
Interest on long-term debt	217,445	223,661
	<u>10,030,853</u>	<u>9,675,885</u>
EXCESS OF REVENUE OVER EXPENSES	243,548	267,909
NET ASSETS, beginning of year	<u>5,073,149</u>	<u>4,805,240</u>
NET ASSETS, end of year	<u>\$ 5,316,697</u>	<u>\$ 5,073,149</u>

(See accompanying notes)

**YMCA OF CENTRAL EAST ONTARIO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 243,548	\$ 267,909
Adjustments for:		
Amortization of tangible capital assets	571,786	556,705
Amortization of intangible capital assets	2,150	3,969
Amortization of deferred contributions related to capital assets	(211,018)	(212,492)
Gain on disposal of capital assets	-	(39,192)
	606,466	576,899
Change in non-cash working capital components:		
Accounts receivable	81,410	(101,182)
Prepaid expenses	16,488	(12,617)
Accounts payable and accrued liabilities	(185,146)	269,521
Government remittances payable	30,804	5,060
Deferred revenue	10,249	(42,567)
	560,271	695,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,701,960)	(3,216,705)
Proceeds from sale/maturity of investments	2,639,497	3,336,562
Purchase of tangible capital assets	(180,438)	(460,835)
Proceeds from sale of tangible capital assets	-	39,192
Purchase of intangible capital assets	(67,602)	-
	(310,503)	(301,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(172,000)	(163,000)
Contributions received related to tangible capital assets	18,677	7,906
	(153,323)	(155,094)
INCREASE IN CASH	96,445	238,234
CASH, beginning of year	357,506	119,272
CASH, end of year	\$ 453,951	\$ 357,506

(See accompanying notes)

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

1. NATURE OF THE ORGANIZATION

The YMCA of Central East Ontario is an independent charitable association of volunteers and staff dedicated to promoting well-being within the community.

The Corporation has been granted tax-exempt status as a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Short-term investments

The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition of investments and investment management fees are expensed as incurred.

Tangible capital assets

Land is carried at cost. Purchased tangible capital assets are recorded at acquisition cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	25-40 years
Parking lot	10 years
Office equipment	10 years
Program and fitness equipment	5 years
Computer equipment	3 years

Intangible capital assets

The costs of intangible capital assets are capitalized upon meeting the criteria for recognition as an intangible asset; otherwise, costs are expensed as incurred. Intangible assets, consisting of computer software are measured at cost less accumulated amortization. Amortization of computer software is provided for on a straight-line basis over the estimated useful life of three years.

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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 for depreciable capital assets are deferred and amortized over the life of the related capital asset. Externally restricted capital asset contributions that have not been expended are recorded as part of deferred contributions related to capital assets on the statement of financial position.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management makes accounting estimates when determining the estimated useful life of the Corporation's tangible capital assets and intangible assets its allowance for doubtful accounts and accrued liabilities. Actual results could differ from those estimates.

Contributed services

Volunteers contribute an indeterminable number of hours each year to assist the Corporation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Financial instruments

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, short-term investments and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and government remittances payable.

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

3. FINANCIAL INSTRUMENTS

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its commitments when they become due. Liquidity risk also includes the risk of the Corporation not being able to liquidate assets in a timely manner. The Corporation's management manages this risk by reviewing expected future cash flow requirements, anticipating investing and financing activities and holding assets that can be readily converted to cash.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments and future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Corporation's exposure to interest rate risk arises from its interest bearing assets and its long-term debt. The Corporation manages interest rate risk exposure by investing in guaranteed investment certificates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is not exposed to other price risk.

Change in risk

There were no changes in the risk exposure of the Corporation during the year.

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

4. SHORT-TERM INVESTMENTS

	2016	2015
Guaranteed Investment Certificates	\$ 3,599,818	\$ 3,676,705
High interest savings funds	543,104	401,842
Ontario Savings Bonds	200,400	200,400
Accrued interest	24,502	26,414
	\$ 4,367,824	\$ 4,305,361

Investments are managed by the Corporation in consultation with the Corporation's financial advisor. The Corporation limits its investments to Guaranteed Investment Certificates, high interest savings funds, Ontario Savings Bonds and minimal equities to ensure the capital is preserved and to provide access to the funds when needed.

Guaranteed Investment Certificates have interest rates ranging from 0.85% to 2.25% and maturity dates spanning March 4, 2017 to October 6, 2017.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2016		2015	
	Cost	Accumulated amortization	Net	Net
Land	\$ 532,028	\$ -	\$ 532,028	\$ 532,028
Buildings	14,900,337	4,936,029	9,964,308	10,237,825
Parking lot	61,352	46,683	14,669	19,085
Office equipment	248,006	196,718	51,288	51,865
Program and fitness equipment	2,137,111	1,663,110	474,001	585,723
Computer equipment	264,992	233,779	31,213	32,329
	\$ 18,143,826	\$ 7,076,319	\$ 11,067,507	\$ 11,458,855

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

6. INTANGIBLE CAPITAL ASSETS

Intangible capital assets consist of the following:

	2016		2015	
	Cost	Accumulated amortization	Net	Net
Computer software	\$ 141,109	\$ 72,719	\$ 68,390	\$ 2,938

7. LONG-TERM DEBT

Long-term debt consists of:

	2016	2015
Fixed rate term loan of Banker Acceptances, revolve monthly, interest at 4.675%, repayable in monthly blended payments of approximately \$32,000, due July 31, 2017	\$ 4,183,000	\$ 4,355,000
Less current portion	1,206,028	172,000
	2,976,972	4,183,000

The debt is secured by a General Security Agreement representing a first charge on all of the Corporation's assets and an assignment of all risk insurance. Under the terms of the agreement, there are certain covenants that the Corporation must maintain. During the year, the Corporation was in compliance with all covenants of the agreement.

Principal repayments on Banker Acceptances over the next six years are estimated to be as follows:

2017	\$ 1,206,028
2018	284,589
2019	293,450
2020	302,587
2021	312,008
2022	1,784,338
	\$ 4,183,000

The Corporation has renegotiated the terms of the loan effective July 31, 2017. The loan will bear interest at 3.07%, repayable in monthly blended payments of \$31,000, due November 30, 2026. As part of the terms of the new loan the Corporation is required to pay \$1,000,000 towards the loan principal at July 31, 2017, and has been included in the current portion above.

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount of donations received for the purchase of capital assets. The amortization of contributions related to capital assets is recorded as revenue in the statement of operations and changes in net assets. The changes in the deferred contributions related to capital assets balance are as follows:

	2016	2015
BALANCE, beginning of year	\$ 6,007,718	\$ 6,212,304
Deferred contributions received	18,677	7,906
Amortization of deferred contributions related to capital assets	(211,018)	(212,492)
BALANCE, end of year	\$ 5,815,377	\$ 6,007,718

9. INTERNALLY RESTRICTED FUNDS

The Board maintains an internally restricted reserve for the purpose of debt repayment, capital development and catastrophic emergency. The Board maintains an amount equal to sixty days of operating expenses in unrestricted net assets and apportions the remaining amount to the internally restricted debt repayment and capital development reserve. At December 31, 2016, the Board has restricted \$2,624,615 (2015 - \$2,475,683) for this purpose.

10. OPERATING LINE OF CREDIT

The Corporation has an operating line of credit with an authorized limit of \$250,000, of which \$Nil was utilized at year-end. The line of credit bears interest at bank prime rate, and is secured by a general security agreement covering all of the assets of the Corporation.

11. CONTRACTUAL OBLIGATIONS

The Corporation has entered into an agreement with The Corporation of the City of Quinte West (Quinte West) to operate and manage a recreational facility at 50 Monogram Place, Trenton for a period of 20 years. The agreement acknowledges that Quinte West remains the sole owner of the facility and provides that the Corporation will manage health and fitness, aquatics, child minding, family and related recreational programs and such other programs for which there may be public demand.

The Corporation has entered into an agreement with the Municipality of Tweed (Tweed), to operate and manage a pool facility at 175 Alexander Street, Tweed.

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

12. CHILD CARE AND OTHER WAGE SUBSIDIES

The Corporation has reported fee subsidy as revenue in the statement of operations and changes in net assets. Wage subsidies of \$594,401, excluding wage enhancement grants, have been included with salaries, wages and benefits as a reduction to the expenditure in the statement of operations and changes in net assets.

Child care subsidies earned during 2016, which have been reflected in the financial statements, are as follows:

	<u>Belleville</u>	<u>Peterborough</u>	<u>Lakefield</u>	<u>Total</u>
Purchase of service fee subsidy	\$ 577,384	\$ 244,315	\$ 110,774	\$ 932,473
Wage subsidy	<u>200,635</u>	<u>79,423</u>	<u>52,674</u>	<u>332,732</u>
	<u>\$ 778,019</u>	<u>\$ 323,738</u>	<u>\$ 163,448</u>	<u>\$ 1,265,205</u>

13. PROVINCIAL WAGE ENHANCEMENT GRANT

In January 2015, the Ministry of Education implemented a new initiative to provide a wage enhancement grant up to \$1 per hour plus up to 17.5% benefits for eligible staff working in licensed child care programs, and up to \$10 per day to home child care providers providing care through a licensed home child care agency. In January 2016, the Ministry increased the wage enhancement grant to \$2 per hour. The Corporation, as the operator, received and disbursed the Wage Enhancement grant to eligible employees, as follows:

	<u>Funding Approved</u>	<u>Unspent Funds Repayable</u>	<u>Disbursed Funds</u>
Lakefield YMCA Child Care Centre	\$ 27,627	\$ 1,089	\$ 26,538
Peterborough Child Care Centre	49,016	1,173	47,843
St. Paul's School Age Program	2,110	-	2,110
Ridpath School Age Program	8,291	-	8,291
Hastings County - Belleville Child Care	99,000	3,162	95,838
Lennox and Addington - Belleville Child Care	<u>2,340</u>	<u>367</u>	<u>1,973</u>
	<u>\$ 188,384</u>	<u>\$ 5,791</u>	<u>\$ 182,593</u>

Unspent wage enhancement grants are to be returned to the appropriate funder.

Wage enhancement grants have been included with salaries, wages and benefits as a reduction to the expenditure in the statement of operations and changes in net assets.