YMCA OF CENTRAL EAST ONTARIO

FINANCIAL STATEMENTS

December 31, 2017

Welch LLP

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, 2017, 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 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, 2017 and 2016, current assets as at December 31, 2017 and 2016 and net assets for the years then ended. Our audit opinion on the financial statements for the year ended December 31, 2016 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, 2017 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.

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Belleville, Ontario
April 25, 2018

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YMCA OF CENTRAL EAST ONTARIO

(Incorporated without share capital under the laws of Ontario)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	$ 984,254	$ 453,951
Short-term investments - note 4	3,427,559	4,367,824
Accounts receivable	141,806	161,513
Prepaid expenses	39,621	17,800
	4,593,240	5,001,088
TANGIBLE CAPITAL ASSETS - note 5	10,702,498	11,067,507
INTANGIBLE CAPITAL ASSETS - note 6	160,153	68,390
	$ 15,455,891	$ 16,136,985

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 611,058	$ 556,676
Government remittances payable	101,184	139,158
Deferred revenue	151,065	126,077
Current portion of long-term debt	284,589	1,206,028
	1,147,896	2,027,939
LONG-TERM DEBT - note 7	2,692,383	2,976,972
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS - note 8	5,622,445	5,815,377
	9,462,724	10,820,288
NET ASSETS		
Invested in tangible and intangible capital assets - internally restricted	2,263,234	1,137,520
Internally restricted - debt repayment and capital development reserve - note 9	2,171,133	2,624,615
Unrestricted	1,558,800	1,554,562
	5,993,167	5,316,697
	$ 15,455,891	$ 16,136,985

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, 2017

	2017	2016
REVENUE		
Membership fees	$ 5,218,656	$ 5,076,467
Program fees	4,251,138	4,066,189
United Way	-	5,000
Grants and subsidies	30,000	30,000
Donations and fundraising	564,751	456,664
Rental and other	457,316	429,063
Amortization of deferred contributions related to capital assets	206,112	211,018
	10,727,973	10,274,401
EXPENSES		
Salaries, wages and benefits	6,543,058	6,537,004
Program	681,084	569,995
Administrative and support services	538,350	522,734
Building maintenance	1,421,367	1,459,518
Allocations to YMCA Canada	145,155	150,221
Amortization of tangible capital assets	566,918	571,786
Amortization of intangible capital assets	1,729	2,150
Interest on long-term debt	153,842	217,445
	10,051,503	10,030,853
EXCESS OF REVENUE OVER EXPENSES	676,470	243,548
NET ASSETS, beginning of year	5,316,697	5,073,149
NET ASSETS, end of year	$ 5,993,167	$ 5,316,697

(See accompanying notes)

YMCA OF CENTRAL EAST ONTARIO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 676,470	$ 243,548
Adjustments for:		
Amortization of tangible capital assets	566,918	571,786
Amortization of intangible capital assets	1,729	2,150
Amortization of deferred contributions related to capital assets	(206,112)	(211,018)
	1,039,005	606,466
Change in non-cash working capital components:		
Accounts receivable	19,707	81,410
Prepaid expenses	(21,821)	16,488
Accounts payable and accrued liabilities	54,382	(185,146)
Government remittances payable	(37,974)	30,804
Deferred revenue	24,988	10,249
	1,078,287	560,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,859,903)	(2,701,960)
Proceeds from sale/maturity of investments	3,800,168	2,639,497
Purchase of tangible capital assets	(201,909)	(180,438)
Purchase of intangible capital assets	(93,492)	(67,602)
	644,864	(310,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(1,206,028)	(172,000)
Contributions received related to tangible capital assets	13,180	18,677
	(1,192,848)	(153,323)
INCREASE IN CASH	530,303	96,445
CASH, beginning of year	453,951	357,506
CASH, end of year	$ 984,254	$ 453,951

(See accompanying notes)

YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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, with the exception of DfM software at five years.

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.

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.

4. SHORT-TERM INVESTMENTS

	2017	2016
Guaranteed Investment Certificates	$ 2,523,525	$ 3,599,818
High interest savings funds	879,482	543,104
Ontario Savings Bonds	-	200,400
Accrued interest	24,552	24,502
	$ 3,427,559	$ 4,367,824

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 1.09% to 1.73% and maturity dates spanning June 20, 2018 to August 2, 2019.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2017			2016
	Cost	Accumulated amortization	Net	Net
Land	$ 532,028	$ -	$ 532,028	$ 532,028
Buildings	14,924,382	5,294,073	9,630,309	9,964,308
Parking lot	61,352	50,874	10,478	14,669
Office equipment	253,867	203,867	50,000	51,288
Program and fitness equipment	2,275,641	1,820,172	455,469	474,001
Computer equipment	278,776	254,562	24,214	31,213
	$ 18,326,046	$ 7,623,548	$ 10,702,498	$ 11,067,507

6. INTANGIBLE CAPITAL ASSETS

Intangible capital assets consist of the following:

	2017			2016
	Cost	Accumulated amortization	Net	Net
Computer software	$ 234,601	$ 74,448	$ 160,153	$ 68,390

7. LONG-TERM DEBT

Long-term debt consists of:

	2017	2016
Fixed rate term loan of Banker Acceptances, revolve monthly, interest at 3.07%, repayable in monthly blended payments of approximately $31,000, due November 30, 2026	$ 2,976,972	$ 4,183,000
Less current portion	284,589	1,206,028
	2,692,383	2,976,972

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 five years are estimated to be as follows:

2018	$ 284,589
2019	293,450
2020	302,587
2021	312,008
2022	321,722
Subsequent years	1,462,616
	$ 2,976,972

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:

	2017	2016
BALANCE, beginning of year	$ 5,815,377	$ 6,007,718
Deferred contributions received	13,180	18,677
Amortization of deferred contributions related to capital assets	(206,112)	(211,018)
BALANCE, end of year	$ 5,622,445	$ 5,815,377

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, 2017, the Board has restricted $2,171,133 (2016 - $2,624,615) 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.

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 $684,175, 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 2017, which have been reflected in the financial statements, are as follows:

	Belleville	Peterborough	Lakefield	Total
Purchase of service fee subsidy	$ 629,380	$ 195,804	$ 89,989	$ 915,173
General operating grant	211,694	96,927	75,078	383,699
	$ 841,074	$ 292,731	$ 165,067	$ 1,298,872

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 in 2017, as follows:

	Funding Approved	Unspent Funds Repayable	Disbursed Funds
Lakefield YMCA Child Care Centre	$ 27,855	$ 124	$ 27,731
Peterborough Child Care Centre	49,732	4,559	45,173
St. Paul's School Age Program	2,794	1,078	1,716
Ridpath School Age Program	9,153	484	8,669
Hastings County - Belleville Child Care	102,239	12,307	89,932
Lennox and Addington - Belleville Child Care	2,496	498	1,998
	$ 194,269	$ 19,050	$ 175,219

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.