

YMCA OF CENTRAL EAST ONTARIO

FINANCIAL STATEMENTS

December 31, 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of
YMCA OF CENTRAL EAST ONTARIO

Qualified Opinion

We have audited the financial statements of **YMCA OF CENTRAL EAST ONTARIO**, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows 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 **YMCA OF CENTRAL EAST ONTARIO** as at December 31, 2018 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the **YMCA OF CENTRAL EAST ONTARIO** derives revenue from donations and fundraising activities, 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 revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets for the years then ended. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in 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 Corporation 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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 Corporation'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 Corporation'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 Corporation 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.

Belleville, Ontario
April 24, 2019

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, 2018

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	\$ 599,480	\$ 984,254
Short-term investments - note 4	3,896,746	3,427,559
Accounts receivable	124,097	141,806
Prepaid expenses	21,016	39,621
	4,641,339	4,593,240
TANGIBLE CAPITAL ASSETS - note 5	10,725,557	10,702,498
INTANGIBLE CAPITAL ASSETS - note 6	318,471	160,153
	\$ 15,685,367	\$ 15,455,891

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 872,525	\$ 611,058
Government remittances payable	93,698	101,184
Deferred revenue	137,227	151,065
Current portion of long-term debt	293,450	284,589
	1,396,900	1,147,896
LONG-TERM DEBT - note 7	2,398,933	2,692,383
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS - note 8	5,403,668	5,622,445
	9,199,501	9,462,724
NET ASSETS		
Invested in tangible and intangible capital assets - internally restricted	2,947,977	2,263,234
Internally restricted - debt repayment and capital development reserve - note 9	1,891,971	2,171,133
Unrestricted	1,645,918	1,558,800
	6,485,866	5,993,167
	\$ 15,685,367	\$ 15,455,891

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, 2018

	2018	2017
REVENUE		
Membership fees	\$ 5,022,235	\$ 5,218,656
Program fees	4,490,952	4,251,138
Grants and subsidies	30,000	30,000
Donations and fundraising	567,327	564,751
Rental and other	723,720	457,316
Amortization of deferred contributions related to capital assets	230,733	206,112
	11,064,967	10,727,973
EXPENSES		
Salaries, wages and benefits	7,049,141	6,543,058
Program	588,185	681,084
Administrative and support services	572,079	538,350
Building maintenance	1,566,326	1,421,367
Allocations to YMCA Canada	150,727	145,155
Amortization of tangible capital assets	558,439	566,918
Amortization of intangible capital assets	1,160	1,729
Interest on long-term debt	86,211	153,842
	10,572,268	10,051,503
EXCESS OF REVENUE OVER EXPENSES	492,699	676,470
NET ASSETS, beginning of year	5,993,167	5,316,697
NET ASSETS, end of year	\$ 6,485,866	\$ 5,993,167

(See accompanying notes)

**YMCA OF CENTRAL EAST ONTARIO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 492,699	\$ 676,470
Adjustments for:		
Amortization of tangible capital assets	558,439	566,918
Amortization of intangible capital assets	1,160	1,729
Amortization of deferred contributions related to capital assets	(230,733)	(206,112)
Gain on disposal of capital assets	(274,649)	-
	546,916	1,039,005
Change in non-cash working capital components:		
Accounts receivable	17,709	19,707
Prepaid expenses	18,605	(21,821)
Accounts payable and accrued liabilities	261,467	54,382
Government remittances payable	(7,486)	(37,974)
Deferred revenue	(13,838)	24,988
	823,373	1,078,287
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,850,000)	(2,859,903)
Proceeds from sale/maturity of investments	1,380,813	3,800,168
Purchase of tangible capital assets	(594,644)	(201,909)
Proceeds from sale of tangible capital assets	287,795	-
Purchase of intangible capital assets	(159,478)	(93,492)
	(935,514)	644,864
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(284,589)	(1,206,028)
Contributions received related to tangible capital assets	11,956	13,180
	(272,633)	(1,192,848)
INCREASE (DECREASE) IN CASH	(384,774)	530,303
CASH, beginning of year	984,254	453,951
CASH, end of year	\$ 599,480	\$ 984,254

(See accompanying notes)

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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.

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

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, 2018**

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, 2018**

4. SHORT-TERM INVESTMENTS

	2018	2017
Guaranteed Investment Certificates	\$ 3,423,525	\$ 2,523,525
High interest savings funds	431,451	879,482
Accrued interest	41,770	24,552
	\$ 3,896,746	\$ 3,427,559

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 1.41% to 2.95% and maturity dates spanning March 20, 2019 to June 21, 2021.

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Net	Net
Land	\$ 532,028	\$ -	\$ 532,028	\$ 532,028
Buildings	14,970,508	5,469,925	9,500,583	9,630,309
Parking lot	61,352	55,065	6,287	10,478
Office equipment	528,112	224,909	303,203	50,000
Program and fitness equipment	2,289,452	1,947,508	341,944	455,469
Computer equipment	316,205	274,693	41,512	24,214
	\$ 18,697,657	\$ 7,972,100	\$ 10,725,557	\$ 10,702,498

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

6. INTANGIBLE CAPITAL ASSETS

Intangible capital assets consist of the following:

	2018		2017	
	Cost	Accumulated amortization	Net	Net
Computer software	\$ 394,079	\$ 75,608	\$ 318,471	\$ 160,153

7. LONG-TERM DEBT

Long-term debt consists of:

	2018	2017
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	\$ 2,692,383	\$ 2,976,972
Less current portion	293,450	284,589
	\$ 2,398,933	\$ 2,692,383

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:

2019	\$ 293,450
2020	302,587
2021	312,008
2022	321,722
2023	331,740
Subsequent years	1,130,876
	\$ 2,692,383

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

8. DEFERRED CONTRIBUTIONS

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:

	2018	2017
BALANCE, beginning of year	\$ 5,622,445	\$ 5,815,377
Deferred contributions received	11,956	13,180
Amortization of deferred contributions related to capital assets	(230,733)	(206,112)
 BALANCE, end of year	 \$ 5,403,668	 \$ 5,622,445

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, 2018, the Board has restricted \$1,891,971 (2017 - \$2,171,133) 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, 2018**

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 \$851,939, 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 2018, 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 \$	619,099	\$ 205,616	\$ 154,097	\$ 978,812
General operating grant	291,530	82,821	152,073	526,424
Affordable for All funding	<u>13,915</u>	<u>18,346</u>	<u>31,814</u>	<u>64,075</u>
	<u>\$ 924,544</u>	<u>\$ 306,783</u>	<u>\$ 337,984</u>	<u>\$ 1,569,311</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 in 2018, as follows:

	<u>Funding Approved</u>	<u>Unspent Funds Repayable</u>	<u>Disbursed Funds</u>
Lakefield YMCA Child Care Centre and School			
Age Program	\$ 62,171	\$ 8,875	\$ 53,296
Peterborough Child Care Centre	49,075	3,231	45,844
St. Paul's School Age Program	2,168	537	1,631
Hastings County - Belleville Child Care	99,603	5,509	94,094
Lennox and Addington - Belleville Child Care	<u>2,314</u>	<u>138</u>	<u>2,176</u>
	<u>\$ 215,331</u>	<u>\$ 18,290</u>	<u>\$ 197,041</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 expense in the statement of operations and changes in net assets.

**YMCA OF CENTRAL EAST ONTARIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018**

14. FEE STABILIZATION WAGE GRANT

During the year, the organization received \$38,301 from the City of Peterborough as a Fee Stabilization Wage Grant. Unspent funds in the amount of \$4,603 will be returned to the City of Peterborough.