

**YMCA of Northeastern Ontario
Financial Statements
For the year ended March 31, 2019**

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For the year ended March 31, 2019**

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Independent Auditor's Report

To the Directors and Members of YMCA of Northeastern Ontario

Opinion

We have audited the financial statements of YMCA of Northeastern Ontario (the Association), which comprise the statement of financial position as at March 31, 2019, the statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2019, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 Association 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 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

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 Association'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 Association'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 Association 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
North Bay, Ontario
September 25, 2019

YMCA of Northeastern Ontario
Statement of Financial Position

March 31 **2019** **2018**

Assets

Current

Cash and cash equivalents	\$	-	\$	553,896
Short-term investments (Note 3)		301,465		431,220
Accounts receivable (Note 4)		959,603		820,626
Prepaid expense		55,050		103,544

1,316,118 1,909,286

Long-term investments (Note 3) 1,070,673 1,402,926

Capital assets (Note 5) 8,430,636 9,378,937

\$ 10,817,427 **\$ 12,691,149**

Liabilities and Net Assets (Deficit)

Liabilities

Bank indebtedness (Note 2)	\$	274,880	\$	-
Accounts payable and accrued liabilities (Note 6)		983,910		747,019
Deferred revenue (Note 7)		1,290,965		717,083
Current portion of long-term debt (Note 8)		4,130,529		4,442,306

6,680,284 5,906,408

Long-term debt (Note 8) - 80,314

6,680,284 **5,986,722**

Net assets (deficit)

Internally restricted	1,341,228	1,341,228
Endowments	260,553	260,553
Invested in capital assets	4,300,107	6,387,202
Unrestricted	(1,764,745)	(1,284,556)

4,137,143 6,704,427

\$ 10,817,427 **\$ 12,691,149**

Commitments (Note 9)

On behalf of the Board:

 _____ Director

 _____ Director

The accompanying notes are an integral part of these financial statements.

YMCA of Northeastern Ontario
Statement of Changes in Net Assets (Deficit)

For the year ended March 31	2019		2018		
	Internally Restricted	Endowments	Invested In Capital Assets	Unrestricted	Total
Fund balances, beginning of year	\$ 1,341,228	\$ 260,553	\$ 6,387,202	\$ (1,284,556)	\$ 6,704,427
Excess (deficiency) of revenue over expenses	-	-	(1,212,007)	(1,355,277)	(2,567,284)
Interfund adjustments	-	-	(875,088)	875,088	-
Fund balances, end of year	\$ 1,341,228	\$ 260,553	\$ 4,300,107	\$ (1,764,745)	\$ 4,137,143
					\$ 6,704,427

The accompanying notes are an integral part of these financial statements.

YMCA of Northeastern Ontario
Statement of Operations

For the year ended March 31	2019	2018
Revenues		
Employment & Youth programs	\$ 6,723,653	\$ 6,039,086
Program fees	4,303,556	3,550,677
Membership fees	3,507,895	3,189,424
Other fees and administration	668,970	1,529,601
Philanthropy	273,163	255,223
Supplies and services	75,765	113,438
Rental and other revenues	25,913	113,848
Investment income	36,796	106,811
	<u>15,615,711</u>	<u>14,898,108</u>
Expenses		
Wages and benefits	10,528,180	9,868,340
Stipends	1,347,465	1,061,277
Supplies	940,503	921,536
Utilities	807,639	881,189
Occupancy, maintenance, insurance and property tax	681,162	621,869
Professional and consulting fees	610,946	642,086
Government funded expenses	258,198	50,791
Advertising and promotion	243,090	111,134
Bank and other service charges	223,476	71,063
Membership and association dues	221,991	202,833
Program travel and vehicles	203,257	152,548
Interest on long term debt	202,127	147,615
Bad debts and other	199,064	69,316
Minor equipment and maintenance	172,199	87,099
Information technology and licenses	135,491	80,701
Employee expenses and travel	112,226	70,876
Staff and volunteer development	68,557	87,256
Postage and courier	15,417	10,135
Amortization	676,849	464,043
	<u>17,647,837</u>	<u>15,601,707</u>
Deficiency of revenues over expenses before item below	(2,032,126)	(703,599)
Loss on disposal of capital assets (Note 5)	535,158	52,852
Deficiency of revenue over expenses for the year	\$ (2,567,284)	\$ (756,451)

The accompanying notes are an integral part of these financial statements.

YMCA of Northeastern Ontario
Statement of Cash Flows

For the year ended March 31	2019	2018)
Cash flows from operating activities		
Deficiency of revenue over expenses	\$ (2,567,284)	\$ (756,451)
Items not involving cash		
Amortization of capital assets	676,849	464,043
Loss on sale of capital assets	535,158	52,852
	<u>(1,355,277)</u>	<u>(239,556)</u>
Changes in non-cash working capital balances		
Accounts receivable	(138,977)	5,945
Prepaid expense	48,494	10,232
Accounts payable and accrued liabilities	236,891	(266,457)
Deferred revenue	573,882	57,457
	<u>(634,987)</u>	<u>(432,379)</u>
Cash flows from investing activities		
Purchase of capital assets	(463,707)	(395,651)
Proceeds from sale of capital assets	200,000	39,708
Decrease (increase) in investments	462,008	215,191
	<u>198,301</u>	<u>(140,752)</u>
Cash flows from financing activities		
Principal payments on long term debt	(392,090)	(283,208)
Proceeds of long term debt	-	200,000
	<u>(392,090)</u>	<u>(83,208)</u>
Decrease in cash during the year	(828,776)	(656,339)
Cash and cash equivalents, beginning of year	553,896	1,210,235
(Bank indebtedness) cash and cash equivalents, end of year	\$ (274,880)	\$ 553,896

The accompanying notes are an integral part of these financial statements.

YMCA of Northeastern Ontario

Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies

Nature of Operations YMCA of Northeastern Ontario ("The Association") is engaged in the delivery of programs and services that provide individual development of mind, body and spirit in North Bay and Sudbury Ontario. Individuals are encouraged to provide leadership on a voluntary basis. Primary programs include Health, Fitness and Recreation, Leadership Training and Child Care.

Income Tax Law The Association is a registered charity under the Income Tax Act and is exempt from income taxation under section 149(1)(f) of the Income Tax Act.

Basis of Accounting The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. As the Association receives funding for various purposes, the accounts are maintained in a manner which segregates transactions according to the following funds:

Internally Restricted

Funds are to be used for future capital acquisitions and for repair and replacement of existing property and equipment.

Endowment

Funds provided by various sources, with the principal amount being maintained while interest and investment income can be expended as specified by the donor.

Revenue Recognition The Association follows the restricted fund method of accounting. Under this method, contributions are recorded as revenue in the respective funds based on their nature, source and the restrictions stipulated by the donor. Contributions including pledges and donations are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured. Unearned membership, program and grant revenues received are recorded as a liability and included in deferred revenue on the statement of financial position.

Capital Assets Capital assets are recorded at cost less accumulated amortization. Donated capital assets are recorded at fair value, if the amount is determinable, at the date of contribution. Amortization is calculated using the straight-line method over the estimated useful life of the asset as follows:

Buildings	-	40 years
Leasehold improvements	-	term of lease
Furnishings and equipment	-	10 years
Vehicles	-	5 years
Computer equipment	-	3 years

YMCA of Northeastern Ontario Notes to Financial Statements

March 31, 2019

1. Summary of Significant Accounting Policies (continued)

Use of Estimates The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenue dues and expenses during the reported period. Actual results could differ from managements best estimates as additional information becomes available in the future.

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 or amortized cost, unless management has elected to carry the instruments at fair value. The Association 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.

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 Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. 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 Association 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.

YMCA of Northeastern Ontario
Notes to Financial Statements

March 31, 2019

2. Bank Overdraft / Credit Facility Agreements

Included in Bank indebtedness at year end is \$159,880 in bank overdraft and \$75,000 in short term loans and \$40,000 in advances under an operating line of credit agreement with its chartered bank.

The association's short term loan bears interest at 4.99% requiring monthly principal payments of \$8,333.

The association's maximum operating line of credit is \$300,000 and it bears interest at prime plus 1.04%.

3. Investments

Investments are comprised of a combination of Equity investments (portfolio investments of Canadian public company shares recorded at market values) and Fixed Income Bond Funds and ETFs (recorded at amortized cost). The Fixed Income investments bear interest at 2% to 4% and mature at various dates.

4. Accounts Receivable

	<u>2019</u>	<u>2018</u>
Government grants and clients	\$ 1,011,603	\$ 840,626
Less allowance for doubtful accounts	<u>(52,000)</u>	<u>(20,000)</u>
	<u>\$ 959,603</u>	<u>\$ 820,626</u>

YMCA of Northeastern Ontario
Notes to Financial Statements

March 31, 2019

5. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Sudbury Branch				
Land	\$ 729,033	\$ -	\$ 729,033	\$ -
Building	10,244,229	4,712,318	10,036,599	4,453,624
Furnishings & equipment	1,917,365	1,543,076	1,876,454	1,490,728
Computer equipment	396,942	248,328	254,945	103,133
	<u>13,287,569</u>	<u>6,503,722</u>	<u>12,897,031</u>	<u>6,047,485</u>
John Island Camp				
Land, nominal value	1	-	1	-
Buildings	1,183,022	395,478	1,174,464	366,137
Furnishings & equipment	805,404	767,656	805,404	751,546
Vehicles	136,538	122,936	136,538	120,283
	<u>2,124,965</u>	<u>1,286,070</u>	<u>2,116,407</u>	<u>1,237,966</u>
Falcona Camp (ii)				
Land	-	-	450,000	-
Buildings	-	-	359,287	74,693
Furnishings & equipment	-	-	91,226	91,226
Vehicles	-	-	31,093	31,093
	<u>-</u>	<u>-</u>	<u>931,606</u>	<u>197,012</u>
Elm Street				
Leasehold improvements	537,436	532,636	537,436	524,512
Computer equipment	50,139	50,139	50,139	50,139
Furnishings & equipment	72,167	57,494	72,167	52,603
Vehicles	34,093	34,093	34,093	34,093
	<u>693,835</u>	<u>674,362</u>	<u>693,835</u>	<u>661,347</u>
North Bay Branch				
Building (i)	1,603,360	1,114,078	1,603,360	1,080,266
Equipment	830,023	813,263	830,021	805,695
Fitness equipment	570,001	449,505	562,853	411,792
Computer equipment	343,352	181,469	285,914	100,527
	<u>3,346,736</u>	<u>2,558,315</u>	<u>3,282,148</u>	<u>2,398,280</u>
	<u>\$ 19,453,105</u>	<u>\$ 11,022,469</u>	<u>\$ 19,921,027</u>	<u>\$ 10,542,090</u>
Net book value		<u>\$ 8,430,636</u>		<u>\$ 9,378,937</u>

(i) The North Bay building is co-owned with the City of North Bay (City). The land on which the this building has been constructed is the property of the City. The association has entered into a ninety-nine year lease commencing in 1967 with the City to lease the land at a nominal rental fee of \$1 per annum.

(ii) The Falcona Camp was disposed of during the year for net proceeds of \$200,000 resulting in a loss on disposal of \$535,158.

YMCA of Northeastern Ontario
Notes to Financial Statements

March 31, 2019

6. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$41,125 (2018 - \$87,558) which include amounts payable for payroll related taxes.

7. Deferred Revenue

	<u>2019</u>		<u>2018</u>
Membership and camps	\$ 644,732	\$	560,704
Employment	439,112		27,692
Children services	189,625		128,687
Other	17,496		-
	<u>\$ 1,290,965</u>	\$	<u>717,083</u>

YMCA of Northeastern Ontario
Notes to Financial Statements

March 31, 2019

8. Long-term Debt

	<u>2019</u>	<u>2018</u> <u>(Note 2)</u>
<p>\$6,000,000 demand mortgage requiring \$32,700 in principal monthly payments, interest at prime plus 1.04% secured by a general security agreement constituting a first ranking security interest in all property and a collateral mortgage in the amount of \$6,000,000 constituting a first fixed charge on the lands and improvements on 140 Durham St.</p>	\$ 4,130,529	\$ 4,347,619
<p>Amended fixed rate term loan, \$33,635 principal monthly payments, interest at 1.04% per annum, maturity date April 15, 2019, secured by a general security agreement constituting first ranking security interest in all property and a collateral mortgage in the amount of \$6,000,000 constituting a first fixed charge on the lands and improvements on 140 Durham St.</p>	-	175,001
	<u>4,130,529</u>	<u>4,522,620</u>
<p>Less current portion (callable portion)</p>	<u>(4,130,529)</u>	<u>(4,442,306)</u>
	<u>\$ -</u>	<u>\$ 80,314</u>

Anticipated principal payments on the above loan over the next five years and thereafter assuming demand feature not exercised are as follows:

2020	\$ 392,400
2021	392,400
2022	392,400
2023	392,400
2024	392,400
Thereafter	<u>2,168,529</u>
	<u>\$ 4,130,529</u>

9. Commitments

The Association leases premises under an operating lease, which expires on August 31, 2022. The minimum annual rental for the next three years are as follows:

2020	190,000
2021	197,000
2022	<u>85,120</u>
	<u>\$ 472,120</u>

YMCA of Northeastern Ontario
Notes to Financial Statements

March 31, 2019

10. Financial Instrument Risk

The association's management monitors, evaluates and manages the principal risks assumed with financial instruments on a daily basis. The risks that arise from transacting financial instruments include liquidity risk, credit risk and interest rate risk.

Liquidity risk

Liquidity risk arises from the association's management of accounts payable and accrued liabilities, payable to affiliated clubs, and current portion of long term debt and capital lease obligations. It is the risk that the association will encounter difficulty in meeting its financial obligations as they fall due.

Credit risk

Credit risk arises principally from the association's accounts receivable. The association is exposed to credit risk resulting from the possibility that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

Interest rate risk arises from the association's credit facility. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The association's credit facility has a variable interest rate. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows. The association does not use derivative financial instruments to alter the effect of this risk.

