



Financial Statements

YMCA of Cape Breton

March 31, 2018

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Independent auditor's report

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To the members of the YMCA of Cape Breton

We have audited the accompanying financial statements of the YMCA of Cape Breton, which comprise the statement of financial position as at March 31, 2018, and the statement of operations, statement of changes in net assets and statement of 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 entity'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 entity'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, the Organization derives revenue from the general public in the form of donations, fundraising activities, and membership programs, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenues, excess of revenue over expenditures, and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at March 31, 2018 and 2017. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the 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 YMCA of Cape Breton as at March 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.

Sydney, Canada

August 18, 2018



Chartered Professional Accountants
Licenced Public Accountants

YMCA of Cape Breton

Statement of operations

Year ended March 31	General Fund	Opportunity Fund	Total 2018	Total 2017
Revenue				
Service Canada	\$ 382,432	\$ -	\$ 382,432	\$ 200,433
Province of Nova Scotia	2,138,378	-	2,138,378	1,867,217
Membership	1,729,869	-	1,729,869	1,693,938
Programming	170,351	-	170,351	182,243
Preschool	404,885	-	404,885	435,118
After school	27,557	-	27,557	39,761
Rentals	127,003	-	127,003	111,172
Investment income	7,472	-	7,472	8,059
Y Lotto revenue	-	438,582	438,582	458,626
Donations	82,038	11,114	93,152	83,269
Concession sales	7,489	-	7,489	7,535
Insurance recovery	-	-	-	14,405
United Way	23,616	-	23,616	26,043
Administrative fee	-	-	-	32,630
	<u>5,101,090</u>	<u>449,696</u>	<u>5,550,786</u>	<u>5,160,449</u>
Expenses				
Administrative fee	30,504	-	30,504	-
Advertising	43,369	35,331	78,700	105,224
Allocations and Priority Sam	94,017	-	94,017	67,158
Bad debts	19,445	-	19,445	57,498
Community support	-	69,948	69,948	73,300
Cost of goods for resale	7,912	-	7,912	5,385
Insurance	39,945	-	39,945	38,103
Interest on long term debt	48,745	-	48,745	63,611
Bank charges	68,471	11,208	79,679	73,335
Professional fees	145,327	2,460	147,787	63,805
Professional development	30,264	1,000	31,264	26,958
Repairs and maintenance	382,018	-	382,018	399,773
Rent	158,817	-	158,817	137,196
Salaries and benefits	3,465,259	49,800	3,515,059	3,084,858
Supplies and equipment	176,936	43,678	220,614	211,303
Technical support	34,015	6,597	40,612	26,043
Telephone	79,387	120	79,507	51,686
Travel and meals	42,471	465	42,936	42,902
Utilities	260,105	-	260,105	249,775
Y Lotto prizes	-	232,170	232,170	238,765
Y Lotto commissions	-	24,730	24,730	25,953
	<u>5,127,007</u>	<u>477,507</u>	<u>5,604,514</u>	<u>5,042,631</u>
	<u>(25,917)</u>	<u>(27,811)</u>	<u>(53,728)</u>	<u>117,818</u>
Amortization of deferred contributions related to capital assets	303,120	-	303,120	317,943
Amortization of capital assets	<u>(423,971)</u>	<u>-</u>	<u>(423,971)</u>	<u>(428,194)</u>
	<u>(120,851)</u>	<u>-</u>	<u>(120,851)</u>	<u>(110,251)</u>
Excess (deficiency) of revenues over expenses	<u>\$ (146,768)</u>	<u>\$ (27,811)</u>	<u>\$ (174,579)</u>	<u>\$ 7,567</u>

See accompanying notes to the financial statements.

YMCA of Cape Breton

Statement of financial position

March 31	General Fund	Opportunity Fund	2018	2017
Assets				
Current				
Cash and cash equivalents (Note 3)	\$ 1,284,726	\$ 50,418	\$ 1,335,144	\$ 679,609
Receivables (Note 4)	278,816	-	278,816	281,692
Prepays	<u>22,861</u>	<u>-</u>	<u>22,861</u>	<u>32,369</u>
	1,586,403	50,418	1,636,821	993,670
Long term investments	10,140	-	10,140	9,809
Capital assets (Note 5)	<u>11,049,349</u>	<u>-</u>	<u>11,049,349</u>	<u>11,401,182</u>
	<u>\$ 12,645,892</u>	<u>\$ 50,418</u>	<u>\$ 12,696,310</u>	<u>\$ 12,404,661</u>
Liabilities				
Current				
Payables and accruals (Note 6)	\$ 298,795	\$ -	\$ 298,795	\$ 300,930
Due (from) to Opportunity Fund	(106,290)	106,290	-	-
Deferred revenue	985,522	-	985,522	342,645
Current portion of long term debt (Note 7)	<u>137,475</u>	<u>-</u>	<u>137,475</u>	<u>125,040</u>
	1,315,502	106,290	1,421,792	768,615
Long term debt (Note 7)	1,384,155	-	1,384,155	1,529,984
Deferred contributions (Note 8)	<u>8,733,855</u>	<u>-</u>	<u>8,733,855</u>	<u>8,774,975</u>
	<u>11,433,512</u>	<u>106,290</u>	<u>11,539,802</u>	<u>11,073,574</u>
Equity (Page 5)				
Investment in capital assets (Note 9)	793,864	-	793,864	971,183
Unrestricted	<u>418,516</u>	<u>(55,872)</u>	<u>362,644</u>	<u>1,162,200</u>
	<u>1,212,380</u>	<u>(55,872)</u>	<u>1,156,508</u>	<u>1,331,087</u>
	<u>\$ 12,645,892</u>	<u>\$ 50,418</u>	<u>\$ 12,696,310</u>	<u>\$ 12,404,661</u>

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

YMCA of Cape Breton

Statement of changes in net assets

Year ended March 31	2018			2017	
	Investment in Capital <u>Assets</u>	Unrestricted General <u>Fund</u>	Unrestricted Opportunity <u>Fund</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 971,183	\$ 387,965	\$ (28,061)	\$ 1,331,087	\$ 1,323,520
Excess (deficiency) of revenue over (expenses Note 10)	(120,851)	(25,917)	(27,811)	(174,579)	7,567
Net change in investment in capital assets (Note 10)	<u>(56,468)</u>	<u>56,468</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 793,864</u>	<u>\$ 418,516</u>	<u>\$ (55,872)</u>	<u>\$1,156,508</u>	<u>\$ 1,331,087</u>

See accompanying notes to the financial statements.

YMCA of Cape Breton

Statement of cash flows

Year ended March 31

2018

2017

Increase (decrease) in cash and cash equivalents

Operating		
(Deficiency) excess of revenues over expenses	\$ (174,579)	\$ 7,567
Amortization of capital assets	423,971	428,194
Amortization of deferred contributions related to capital assets	(303,120)	(317,943)
	(53,728)	117,818
Change in non-cash operating working capital (Note 11)	653,126	(125,448)
	<u>599,398</u>	<u>(7,630)</u>
Investing		
Contributions received for purchase of capital assets	262,000	135,068
Purchase of long term investments	(331)	(2,375)
Purchase of capital assets	(72,138)	(212,305)
	<u>189,531</u>	<u>(79,612)</u>
Financing		
Repayment of long term debt	(133,394)	(140,535)
Net increase (decrease) in cash and cash equivalents	655,535	(227,777)
Cash and cash equivalents, beginning of year	<u>679,609</u>	<u>907,386</u>
Cash and cash equivalents, end of year	<u>\$ 1,335,144</u>	<u>\$ 679,609</u>

Cash and cash equivalents comprised of		
Cash	\$ 699,429	\$ 50,761
Term deposits	<u>635,715</u>	<u>628,848</u>
	<u>\$ 1,335,144</u>	<u>\$ 679,609</u>

See accompanying notes to the financial statements.

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

1. Nature of operations

YMCA of Cape Breton is a registered charity providing wellness, health, recreation, and community development programs to the local community. The Organization is exempt from income taxes under provisions of the Income Tax Act.

2. Summary of significant accounting policies

Basis of accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Fund accounting

Funds within the financial statements consist of unrestricted general and unrestricted opportunity fund. Transfers between funds are recorded as adjustments to the appropriate fund balance.

Opportunity fund

The Opportunity fund is an unrestricted fund whose purpose is to provide financial assistance for community members for services provided at the Organization.

Revenue recognition

The Organization follows the deferral method of accounting for contributions for both the general fund and the opportunity fund, which include government assistance relating to operating expenses and capital assets. Under the deferral method, 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 at a rate corresponding with the amortization rate for the related capital assets. Contributions relating to expenses of future periods are deferred and recognized as revenue as the expenses are incurred.

Revenue from fees and contracts are recognized when the services are provided.

Long term investments

Long term investments are recorded at fair value.

Capital assets

Capital assets are recorded at cost. Betterments which extend the estimated 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.

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Capital assets (continued)

Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Building	3%, declining balance
Enterprise Centre building	3%, declining balance
Renovations	10%, declining balance
Equipment	20%, declining balance
Computer equipment	35%, declining balance
Computer software	50%, declining balance

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Organization accounts for the following as financial instruments:

- Cash and cash equivalents
- Receivables
- Long term investments
- Payables and accruals
- Long term debt

A financial asset or liability is recognized when the organization becomes party to contractual provisions of the instrument.

Measurement

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which are measured at fair value. All changes in fair value of the organization's investments in equities quoted in an active market are recorded in the statement of operations.

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

2. Summary of significant accounting policies (continued)

Financial instruments

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Financial assets and financial liabilities are subsequently measured according to the following methods:

<u>Financial instrument</u>	<u>Measurement</u>
Cash and cash equivalents	Amortized cost (which approximates fair value)
Receivables	Amortized cost
Long term investments	Fair value
Payables and accruals	Amortized cost
Long term debt	Amortized cost

Use of estimates

In preparing the Organization's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Donated goods and services

Donated goods and services are recognized at their fair market value when they are received.

3. Cash and cash equivalents

The Organization has access to an operating line of credit of \$125,000 that bears interest at a rate of prime plus .5%. At the year end, the line of credit had a balance outstanding of nil (2017 – \$21,005).

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

4. Receivables	<u>2018</u>	<u>2017</u>
Membership	\$ 347,699	\$ 297,173
Other	<u>40,061</u>	<u>77,927</u>
	387,760	375,100
Allowance for doubtful accounts	<u>(108,944)</u>	<u>(93,408)</u>
	<u>\$ 278,816</u>	<u>\$ 281,692</u>

5. Capital assets			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>	<u>Net book value</u>
Land	\$ 61,971	\$ -	\$ 61,971	\$ 61,971
Building	12,538,979	2,251,446	10,287,533	10,605,705
Enterprise Centre building	106,094	43,824	62,270	50,441
Renovations	730,482	398,796	331,686	348,771
Equipment	1,124,346	899,228	225,118	245,006
Computer equipment	317,515	310,904	6,611	10,171
Computer software	<u>140,247</u>	<u>66,087</u>	<u>74,160</u>	<u>79,117</u>
	<u>\$ 15,019,634</u>	<u>\$ 3,970,285</u>	<u>\$ 11,049,349</u>	<u>\$ 11,401,182</u>

6. Payables and accruals	<u>2018</u>	<u>2017</u>
Trade	\$ 248,878	\$ 232,592
Government remittances	38,629	63,972
Commodity taxes	<u>11,288</u>	<u>4,366</u>
	<u>\$ 298,795</u>	<u>\$ 300,390</u>

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

7. Long term debt	<u>2018</u>	<u>2017</u>
Toronto Dominion Bank		
2.95% loan, repayable in monthly instalments of \$6,251, including interest	\$ 365,380	\$ 428,757
3.93% loan, repayable in monthly instalments of \$6,005, including interest	773,220	820,475
3.68% loan, repayable in monthly instalments of \$2,921, including interest	<u>383,030</u>	<u>405,792</u>
	1,521,630#N/A	1,655,024
Less current portion	<u>137,475</u>	<u>125,040</u>
	<u>\$ 1,384,155</u>	<u>\$ 1,529,984</u>

Estimated annual principal payments in each of the next five (5) years are as follows:

2019	\$ 137,475
2020	\$ 141,676
2021	\$ 146,004
2022	\$ 150,465
2023	\$ 155,063

As security, the Organization has provided a first mortgage on specific land and building having a net book value of \$10,349,504, a general security agreement over other property and an assignment of fire insurance.

The Organization is subject to a debt service coverage ratio covenant of better than 1.5:1 on its loans with the Toronto Dominion Bank. At the year end date, the Organization had a covenant violation. The lender has signed a waiver stating that despite the covenant violations, it will not call the debt. Going forward, the debt provider requires compliance with this covenant.

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

8. Deferred contributions

Deferred capital contributions related to capital assets represent the unamortized amount of the grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 8,774,975	\$ 8,957,850
Contributions received	<u>262,000</u>	<u>135,068</u>
	9,036,975	9,092,918
Less: amortized amounts	<u>303,120</u>	<u>317,943</u>
	<u>\$ 8,733,855</u>	<u>\$ 8,774,975</u>

9. Investment in capital assets

	<u>2018</u>	<u>2017</u>
Capital assets	\$ 11,049,349	\$ 11,401,182
Amounts financed by long term debt	(1,521,630)	(1,655,024)
Amount financed by deferred contributions	<u>(8,733,855)</u>	<u>(8,774,975)</u>
	<u>\$ 793,864</u>	<u>\$ 971,183</u>

10. Change in equity invested in capital assets

	<u>2018</u>	<u>2017</u>
Deficiency of revenue over expenses		
Amortization of deferred contributions related to capital assets	\$ 303,120	\$ 317,943
Amortization of capital assets	<u>(423,971)</u>	<u>(428,194)</u>
	<u>\$ (120,851)</u>	<u>\$ (110,251)</u>
Net change in investment in capital assets		
Capital assets purchased, net of contribution	\$ 72,138	\$ 77,237
Contributions received for future projects	(262,000)	-
Repayment of long term debt, net of advances	<u>133,394</u>	<u>140,535</u>
	<u>\$ (56,468)</u>	<u>\$ 217,772</u>

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

11. Supplemental cash flow information

	<u>2018</u>	<u>2017</u>
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Change in non-cash operating working capital

Receivables	\$ 2,876	\$ (79,126)
Prepays	9,508	(15,743)
Payables and accruals	(2,135)	124,377
Deferred revenue	<u>642,877</u>	<u>(154,956)</u>
	<u>\$ 653,126</u>	<u>\$ (125,448)</u>

12. Defined contribution plan

The Organization has contributed \$106,150 (2017 – \$96,050) to the employees' defined contribution plan for the year ended March 31, 2018.

13. Financial instruments

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposures and concentrations at March 31, 2018.

Credit risk

Credit risk is the risk of loss associated with a counterpart's inability to fulfil its payment obligations. The Organization's credit risk is attributable to receivables of \$278,816 (2017 - \$281,692). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

Liquidity risk

Liquidity risk is the risk that the Organization will be unable to meet its contractual obligations and financial liabilities. The Organization's credit risk is attributable to payables of \$298,795 (2017 - \$300,930) and long term debt of \$1,521,630 (2017 - \$1,655,024). The Organization manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

Market risk

Market risk is the risk of loss that may arise from changes in market factors, such as foreign exchange and changes in equities quoted in an active market. Management believes that the market risk concentration with respect to financial liabilities is remote.

YMCA of Cape Breton

Notes to the financial statements

March 31, 2018

14. Donated goods and services

During the year, the Organization recognized \$41,022 (2017 – \$26,500) in Y lotto revenue for donated goods and services.
