

CUMBERLAND YMCA
Financial Statements
Year Ended March 31, 2017

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Index to Financial Statements
Year Ended March 31, 2017

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

INDEPENDENT AUDITOR'S REPORT

To the Members of Cumberland YMCA

We have audited the accompanying financial statements of Cumberland YMCA, which comprise the statement of financial position as at March 31, 2017 and the statements of operations, 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 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, Cumberland YMCA derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Cumberland YMCA. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2017, current assets and net assets as at April 1, 2016 and March 31, 2017. Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation on scope.

Long term debt of the organization bearing interest at a rate lower than market rate is not originally
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Independent Auditor's Report to the Members of Cumberland YMCA *(continued)*

recorded at fair value, as required under Accounting Standards for Not-for-Profit Organizations. The fair value of such loans at inception is lower than the actual cash advanced. The original balance of these loans should be recorded at fair value, based on the present value of the future cash flows of the loan, discounted at a market interest rate for similar borrowings. The effect of this departure from Canadian accounting standards for not-for-profit organizations is that long term debt is overstated and deferred revenue is understated by \$66,617 (2016 - \$69,241). Our audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of the possible effects of this limitation on scope.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Cumberland YMCA as at March 31, 2017 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in blue ink that reads "McIsaac Danagh". The signature is written in a cursive, flowing style.

Amherst, Nova Scotia
June 20, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

CUMBERLAND YMCA
Statement of Financial Position
as at March 31

	General Fund	Endowment Fund	Total	Total
	2017	2017	2017	2016
ASSETS				
CURRENT				
Cash	\$ 175,727	\$ -	\$ 175,727	\$ 228,581
Accounts receivable (Note 3)	62,041	-	62,041	93,833
Inventory	525	-	525	1,546
Prepaid expenses	7,027	-	7,027	-
	245,320	-	245,320	323,960
INVESTMENTS (Note 4)	185,000	-	185,000	-
RESTRICTED CASH	-	68,995	68,995	43,853
LAND, BUILDING AND EQUIPMENT (Note 5)	4,582,722	-	4,582,722	4,746,576
	\$ 5,013,042	\$ 68,995	\$ 5,082,037	\$ 5,114,389
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities (Note 7)	\$ 133,248	\$ -	\$ 133,248	\$ 102,317
Current portion of long term debt (Note 9)	12,200	-	12,200	12,000
	145,448	-	145,448	114,317
DEFERRED REVENUE (Note 8)	1,942,918	-	1,942,918	1,942,783
LONG TERM PAYABLE	-	-	-	7,300
LONG TERM DEBT (Note 9)	261,987	-	261,987	274,221
	2,350,353	-	2,350,353	2,338,621
NET ASSETS				
General Fund	2,475,509	-	2,475,509	2,544,735
Endowment Fund	-	68,995	68,995	43,853
Internally restricted for capital	187,180	-	187,180	187,180
	2,662,689	68,995	2,731,684	2,775,768
	\$ 5,013,042	\$ 68,995	\$ 5,082,037	\$ 5,114,389

CONTINGENCY (Note 10)

LEASE COMMITMENTS (Note 11)

ON BEHALF OF THE BOARD

X  Director
 Director

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Statement of Operations
Year Ended March 31, 2017

	Budget (Note 15) 2017	2017	2016
REVENUE (Note 14)			
Aquatics	\$ 212,107	\$ 239,620	\$ 214,241
Childcare	304,881	305,782	285,134
Daycare	899,448	976,446	913,933
Donations and fundraising - general	93,600	60,615	54,252
Fitness	109,560	101,998	112,902
Membership and administrative	366,357	424,943	406,177
Municipal operating funds	100,000	100,000	100,000
Donations - endowment	-	25,142	605
	<u>2,085,953</u>	<u>2,234,546</u>	<u>2,087,244</u>
EXPENSES (Notes 3, 12, 14)			
Aquatics	163,186	187,058	157,259
Childcare	285,432	295,283	267,688
Daycare	651,528	732,690	650,912
Donations and fundraising	33,679	32,968	36,295
Fitness	152,052	134,974	122,927
Membership and administrative	375,435	374,367	356,799
Plant and facility	403,739	376,220	401,284
	<u>2,065,051</u>	<u>2,133,560</u>	<u>1,993,164</u>
EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION	<u>\$ 20,902</u>	<u>100,986</u>	<u>94,080</u>
AMORTIZATION			
Amortization of building and equipment		(225,928)	(219,944)
Recognition of previously deferred capital donations (Note 8)		<u>80,858</u>	<u>80,319</u>
		<u>(145,070)</u>	<u>(139,625)</u>
DEFICIENCY OF REVENUE OVER EXPENSES		<u>\$ (44,084)</u>	<u>\$ (45,545)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Statement of Changes in Net Assets
Year Ended March 31, 2017

	General Fund	Endowment Fund	Internally Restricted for Capital	2017	2016
NET ASSETS -					
BEGINNING OF YEAR	\$ 2,544,735	\$ 43,853	\$ 187,180	\$ 2,775,768	\$ 2,821,313
Excess (deficiency) of revenue over expenses	(69,226)	25,142	-	(44,084)	(45,545)
NET ASSETS - END OF YEAR	\$ 2,475,509	\$ 68,995	\$ 187,180	\$ 2,731,684	\$ 2,775,768

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Statement of Cash Flows
Year Ended March 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Cash receipts from customers and donors	\$ 2,287,510	\$ 2,086,341
Cash paid to suppliers and employees	<u>(2,115,936)</u>	<u>(1,989,565)</u>
Cash flow from operating activities	<u>171,574</u>	<u>96,776</u>
INVESTING ACTIVITIES		
Purchase of equipment	(62,073)	(62,264)
Purchase of investments	(185,000)	-
Increase in endowment cash	<u>(25,142)</u>	<u>(25,629)</u>
Cash flow used by investing activities	<u>(272,215)</u>	<u>(87,893)</u>
FINANCING ACTIVITIES		
Capital contributions	59,821	87,370
Repayment of long term debt	<u>(12,034)</u>	<u>(11,914)</u>
Cash flow from financing activities	<u>47,787</u>	<u>75,456</u>
INCREASE (DECREASE) IN CASH FLOW	(52,854)	84,339
Cash - beginning of year	<u>228,581</u>	<u>144,242</u>
CASH - END OF YEAR	<u>\$ 175,727</u>	<u>\$ 228,581</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2017

1. DESCRIPTION OF OPERATIONS

The organization operates a YMCA in Cumberland County, Nova Scotia. The organization is incorporated as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and externally restricted contributions for which no separate fund exists.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund and directly related expenses are reported in the General Fund.

Revenue recognition

The Cumberland YMCA follows the deferral method of accounting for contributions.

Restricted contributions from government and donors related to general operations and for which there is no separate fund are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Endowment contributions are recognized as revenue of the Endowment Fund in the year received. Restricted donations related to assets not subject to amortization are recognized as a direct increase to net assets in the year received.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership and program revenues are recognized over the period for which the membership is valid or the program is held.

Donated goods and services

Donated goods and services are recorded at their fair market value at the time of the donation if fair value can be reasonably estimated, provided the goods or services would otherwise be purchased. During the year \$42,400 in donated services and \$nil in donated assets were recorded (2016 donated services \$42,400 and donated assets \$nil). These have been included in membership and plant and facility donation revenue, and plant and facility and membership and administrative expenses.

Volunteers contribute many hours per year to assist the Cumberland YMCA in carrying out its operations. Because of the difficulty in determining the fair value, contributed labour is not recognized in the financial statements.

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CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits payable

The future cost of vacation days earned but not used by the employees up to March 31, 2017 has been accrued in the financial statements. Sick days do not vest and no accrual is recorded for unused sick time.

Investments

Investments are classified as held for trading and are recorded at fair value, based on quoted market values at year end. In determining fair values, adjustments have not been made for commissions and fees on purchase and sale because these transaction costs are not considered to be material.

Land, building and equipment

Land, building and equipment is stated at cost or deemed cost less accumulated amortization. Land, building and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Building	25 years	straight-line method
Equipment	5 years - 25 years	straight-line method
Paving	10 years	straight-line method

The association regularly reviews its land, building and equipment to eliminate obsolete items.

Land, building and equipment acquired or constructed during the year but not placed into use are not amortized until they are placed into use.

Statement of cash flows

For the purpose of the statement of cash flows the YMCA considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash and cash equivalents. Bank borrowings, including short term debt, are considered to be financing activities.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standard for not-for-profit enterprises requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such significant estimates include allowance for doubtful accounts and amortization of building and equipment. Estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2017

3. ACCOUNTS RECEIVABLE

	2017	2016
Childcare/Daycare receivables	\$ 40,522	\$ 46,105
Other trade receivables	3,107	6,759
Grants receivable	24,212	45,405
HST receivable	1,800	1,964
Subtotal	69,641	100,233
Allowance for doubtful accounts	(7,600)	(6,400)
	\$ 62,041	\$ 93,833

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization 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. As at March 31, 2017, management believes there was no concentration of credit risk.

Included in daycare expenses are bad debts of \$7,600 (2016 - \$6,372).

4. INVESTMENTS

Investments consist of term deposits with interest rates ranging from 1.45%-2.03% and mature between 2018-2022.

5. LAND, BUILDING AND EQUIPMENT

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 333,987	\$ -	\$ 333,987	\$ 333,987
Building	5,022,145	1,041,021	3,981,124	4,160,614
Equipment	329,596	73,235	256,361	238,225
Paving	25,000	13,750	11,250	13,750
	\$ 5,710,728	\$ 1,128,006	\$ 4,582,722	\$ 4,746,576

6. BANK INDEBTEDNESS

The Cumberland YMCA has the following credit term facilities:

1. Revolving line of credit with a \$60,000 limit, bearing interest at prime plus 1.5%.

The credit facilities are secured by a claim against all property that is owned by the Cumberland YMCA, fire insurance and other perils and a borrowing resolution executed by the approved signing officers.

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2017

7. ACCOUNTS PAYABLE

	2017	2016
Trade payables	\$ 133,248	\$ 95,617
Current portion of YMCA Canada Payable	-	6,700
	\$ 133,248	\$ 102,317

8. DEFERRED REVENUE

	Opening Balance	Receipts	Recognized as revenue	Closing Balance
<u>2017</u>				
Memberships	\$ 8,990	\$ 349,641	\$ (346,719)	\$ 11,912
Grants	46,775	453,379	(439,088)	61,066
Other	10,971	12,616	(8,657)	14,930
Capital donations	1,876,047	59,821	(80,858)	1,855,010
	\$ 1,942,783	\$ 875,457	\$ (875,322)	\$ 1,942,918
<u>2016</u>				
Memberships	\$ 7,973	\$ 348,339	\$ (347,322)	\$ 8,990
Grants	41,193	408,453	(402,871)	46,775
Other	13,603	8,505	(11,137)	10,971
Capital donations	1,868,996	87,370	(80,319)	1,876,047
	\$ 1,931,765	\$ 852,667	\$ (841,649)	\$ 1,942,783

Included in deferred revenue is \$1,160,908 (2016 - \$1,203,279) of government contributions.

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2017

9. LONG TERM DEBT

	2017	2016
Department of Community Services loan bearing interest at 1% per annum, repayable in monthly blended payments of \$1,237. The loan matures in August 2037 and is secured by 1st ranking mortgage on the land and building located at 92 Church Street which has a net book value of \$4,315,111.	\$ 274,187	\$ 286,221
Amounts payable within one year	(12,200)	(12,000)
	\$ 261,987	\$ 274,221

Principal repayment terms are approximately:

2018	\$ 12,200
2019	12,300
2020	12,400
2021	12,500
2022	12,700
Thereafter	212,087
	\$ 274,187

10. CONTINGENCY

The Province of Nova Scotia has provided funding for construction and equipment in the form of a forgivable loan. The total approved forgivable loan is \$979,310. The loan is forgivable provided the Cumberland YMCA is not in default of the funding agreement. In the event of default, the loan is repayable on demand at market interest rates. As of year end, the Cumberland YMCA was in compliance with the agreement. The forgivable loan has been accounted for as a capital donation (Note 8) and is being recognized as revenue at the same rate as the related assets are amortized.

11. LEASE COMMITMENTS

The Cumberland YMCA has entered into leases for premises and equipment. Minimum annual lease payments due in the next five years are as follows:

2018	\$ 16,700
2019	4,500
2020	4,500
2021	2,600
2022	2,300

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2017

12. EMPLOYEE FUTURE BENEFITS

The Cumberland YMCA contributed \$27,817 (2016 - \$26,983) to a defined contribution retirement savings plan on behalf of its employees. The contribution is allocated to wages in the related departments.

13. FINANCIAL INSTRUMENTS

The association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the association's risk exposure and concentration as of March 31, 2017.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, and accounts payable. As described in Note 6, the association has access to a revolving line of credit to help mitigate liquidity risk.

14. ADDITIONAL DISCLOSURES

Interest on long term debt of \$2,807 (2016 - \$2,927) is included in membership and administrative expenses.

Government assistance received in the form of grants and subsidies has been recorded as follows:

	<u>2017</u>	<u>2016</u>
Government assistance		
Aquatics	\$ 103,611	\$ 102,761
Childcare	94,504	62,841
Daycare	211,207	196,173
Fitness	52,382	59,716
Membership and administration	42,400	42,400
Municipal operating funds	100,000	100,000
Recognition of capital contributions	48,008	50,090
	<u>\$ 652,112</u>	<u>\$ 613,981</u>

15. BUDGET

Budgeted figures have been provided for comparison purposes. The budget was developed by management and is unaudited.

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
