

CUMBERLAND YMCA
Financial Statements
Year Ended March 31, 2019

CUMBERLAND YMCA
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Year Ended March 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Members of Cumberland YMCA

Qualified Opinion

We have audited the financial statements of Cumberland YMCA (the Association), which comprise the statement of financial position as at March 31, 2019, and the statements of revenues and expenditures, 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 matters 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 the Association as at March 31, 2019, 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 Association 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 the Association. 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, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1, 2018 and March 31, 2019. 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 of scope.

Long term debt of the organization bearing interest at a rate lower than market rate is not originally 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 \$55,770 (2018 - \$61,121). Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this departure from accounting standards.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit 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

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Independent Auditor's Report to the Members of Cumberland YMCA (*continued*)

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 relating 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.



Amherst, Nova Scotia
June 18, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

CUMBERLAND YMCA
Statement of Financial Position
March 31, 2019

	General Fund 2019	Endowment Fund 2019	Total 2019	Total 2018
ASSETS				
CURRENT				
Cash	\$ 116,180	\$ -	\$ 116,180	\$ 204,723
Accounts receivable (Note 3)	78,230	-	78,230	60,164
Inventory	280	-	280	525
Prepaid expenses	995	-	995	-
	195,685	-	195,685	265,412
INVESTMENTS (Note 4)	280,480	-	280,480	188,178
RESTRICTED CASH	-	69,265	69,265	68,995
LAND, BUILDING AND EQUIPMENT (Note 5)	4,228,507	-	4,228,507	4,421,917
	\$ 4,704,672	\$ 69,265	\$ 4,773,937	\$ 4,944,502
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	\$ 121,076	\$ -	\$ 121,076	\$ 150,608
Current portion of long term debt (Note 8)	11,800	-	11,800	11,800
	132,876	-	132,876	162,408
DEFERRED REVENUE (Note 7)	1,880,037	-	1,880,037	1,932,717
LONG TERM DEBT (Note 8)	237,951	-	237,951	250,233
	2,250,864	-	2,250,864	2,345,358
NET ASSETS				
General fund	2,453,808	-	2,453,808	2,530,149
Endowment fund	-	69,265	69,265	68,995
	2,453,808	69,265	2,523,073	2,599,144
	\$ 4,704,672	\$ 69,265	\$ 4,773,937	\$ 4,944,502

CONTINGENT LIABILITY (Note 9)

ON BEHALF OF THE BOARD

 Director

 Director

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Statement of Revenues and Expenditures
Year Ended March 31, 2019

	Budget 2019	Total 2019	Total 2018
REVENUE			
Programs (Note 10)	\$ 1,091,414	\$ 1,058,103	\$ 1,063,206
Grants (Note 10)	560,720	643,896	559,343
Membership	324,474	345,534	344,637
Donations and fundraising - general	88,150	82,010	118,998
Courses and instruction	73,709	76,385	63,629
Rental	56,925	59,117	55,552
Merchandise	8,880	10,543	9,200
Interest	-	4,823	3,213
Donations and fundraising - endowment	-	270	-
	<u>2,204,272</u>	<u>2,280,681</u>	<u>2,217,778</u>
EXPENSES			
Bad debt	-	6,721	6,736
Bank and service charges	18,131	23,604	18,460
Donations and fundraising	6,140	3,677	9,739
Dues and fees	42,200	44,331	42,809
Equipment	12,650	18,650	20,251
Insurance	16,534	16,622	16,977
Interest on long term debt	-	2,559	2,686
Maintenance	80,300	92,893	81,166
Merchandise	5,020	7,327	5,092
Office and communications	19,950	21,897	19,475
Professional fees	29,555	54,450	23,391
Program supplies	81,502	122,611	135,876
Rent and utilities	163,300	161,416	143,153
Salaries and benefits (Note 11)	1,583,851	1,590,149	1,620,814
Staff and volunteer development	18,064	21,938	25,677
Travel	10,894	8,715	11,831
	<u>2,088,091</u>	<u>2,197,560</u>	<u>2,184,133</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	<u>116,181</u>	<u>83,121</u>	<u>33,645</u>
OTHER EXPENSES (INCOME)			
Amortization of building and equipment	-	234,561	230,987
Loss on disposal of assets	-	4,151	14,158
Recognition of previously deferred capital donations (Notes 7, 10)	-	(76,976)	(78,962)
Unrealized gain on investments	-	(2,544)	-
	<u>-</u>	<u>159,192</u>	<u>166,183</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 116,181</u>	<u>\$ (76,071)</u>	<u>\$ (132,538)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Statement of Changes in Net Assets
Year Ended March 31, 2019

	General Fund	Endowment Fund	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 2,530,149	\$ 68,995	\$ 2,599,144	\$ 2,731,682
Excess (deficiency) of revenue over expenses	(76,341)	270	(76,071)	(132,538)
NET ASSETS - END OF YEAR	\$ 2,453,808	\$ 69,265	\$ 2,523,073	\$ 2,599,144

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Statement of Cash Flows
Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Cash receipts from customers and donors	\$ 2,231,097	\$ 2,251,620
Cash paid to suppliers and employees	<u>(2,221,123)</u>	<u>(2,153,010)</u>
Cash flow from operating activities	<u>9,974</u>	98,610
INVESTING ACTIVITIES		
Purchase of building and equipment	(45,302)	(84,341)
Purchase of investments	(124,867)	-
Proceeds from the sale of investments	37,000	37,000
Increase in endowment cash	(335)	-
Increase in investment cash	<u>(1,891)</u>	<u>(40,178)</u>
Cash flow used by investing activities	<u>(135,395)</u>	<u>(87,519)</u>
FINANCING ACTIVITIES		
Capital contributions	49,159	30,055
Repayment of long term debt	<u>(12,281)</u>	<u>(12,150)</u>
Cash flow from financing activities	<u>36,878</u>	17,905
INCREASE (DECREASE) IN CASH FLOW	(88,543)	28,996
Cash - beginning of year	<u>204,723</u>	<u>175,727</u>
CASH - END OF YEAR	\$ 116,180	\$ 204,723

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2019

1. DESCRIPTION OF OPERATIONS

The association 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

The financial statements were prepared in accordance with Canadian accounting standards 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

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 \$10,888 in donated services and \$nil in donated assets were recorded (2018 donated services \$45,663 and donated assets \$nil). This has been included in plant donation revenue, and plant grant 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, 2019

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, 2019 has been accrued in the financial statements. Sick days do not vest and no accrual is recorded for unused sick time.

Investments

Investments 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 are stated at cost or deemed cost less accumulated amortization. Land, building and equipment are amortized over their estimated useful life on a straight-line basis at the following rates and methods:

Land		non-amortizable
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 building and equipment to eliminate obsolete items.

On half year's amortization is taken in the year of acquisition. Land, building and equipment acquired or constructed during the year but not placed into use are not amortized until the fiscal year in which 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, 2019

3. ACCOUNTS RECEIVABLE

	2019	2018
Childcare/Daycare receivables	\$ 43,534	\$ 33,934
Other trade receivables	23,876	5,858
Grants receivable	16,055	22,278
HST receivable	1,665	4,994
Subtotal	85,130	67,064
Allowance for doubtful accounts	(6,900)	(6,900)
	\$ 78,230	\$ 60,164

4. INVESTMENTS

	2019	2018
Cash	\$ 42,069	\$ 40,178
Common shares	56,230	-
Fixed income	182,181	148,000
	\$ 280,480	\$ 188,178

Fixed income investments consist of term deposits with interest rates ranging from 1.70% - 2.03% and mature between 2020 and 2022 (2018 - 1.55% - 2.03% and mature between 2019 and 2022).

5. LAND, BUILDING AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 333,987	\$ -	\$ 333,987	\$ 333,987
Building	5,073,528	1,439,926	3,633,602	3,821,433
Equipment	376,863	122,195	254,668	257,747
Paving	25,000	18,750	6,250	8,750
	\$ 5,809,378	\$ 1,580,871	\$ 4,228,507	\$ 4,421,917

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2019

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.

7. DEFERRED REVENUE

	Opening Balance	Receipts	Recognized as revenue	2019
<u>2019</u>				
Memberships	\$ 2,935	\$ 348,953	\$ 345,534	\$ 6,354
Grants	108,287	612,069	643,896	76,460
Other	15,392	9,076	5,531	18,937
Capital donations	1,806,103	49,159	76,976	1,778,286
	\$ 1,932,717	\$ 1,019,257	\$ 1,071,937	\$ 1,880,037

Included in deferred revenue is \$1,081,529 (2018 - \$1,171,142) of government contributions.

8. LONG TERM DEBT

	2019	2018
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 with a net book value of \$3,953,071 (2018 - \$4,155,420).	\$ 249,751	\$ 262,033
Amounts payable within one year	(11,800)	(11,800)
	\$ 237,951	\$ 250,233

Principal repayment terms are approximately:

2020	\$ 11,800
2021	12,500
2022	12,700
2023	12,800
2024	12,900
Thereafter	187,051
	\$ 249,751

CUMBERLAND YMCA
Notes to Financial Statements
Year Ended March 31, 2019

9. CONTINGENT LIABILITY

The Province of Nova Scotia provided funding in the form of a forgivable loan of \$979,310 for construction and equipment. The forgivable loan has been accounted for as a capital donation (Note 7) and is being recognized as revenue at the same rate as the related assets are amortized.

In the event of default of the terms of the funding agreement, the loan is repayable on demand at market interest rates. As of year end, the Cumberland YMCA was in compliance with the agreement.

10. GOVERNMENT ASSISTANCE

Government assistance recognized as revenue during the year:

	<u>2019</u>	<u>2018</u>
Federal government	\$ 12,192	\$ 12,700
Provincial government	140,341	117,996
Provincial government - childcare/daycare	384,619	348,243
Municipal government	270,342	260,889
	<u>\$ 807,494</u>	<u>\$ 739,828</u>

Of the total government assistance reported above, \$150,594 (2018 - \$134,467) is included in program revenue, \$612,786 (2018 - \$559,343) is included in grant revenue and \$44,114 (2018 - \$46,018) is included in recognition of previously deferred capital donations.

11. EMPLOYEE FUTURE BENEFITS

The Cumberland YMCA contributed \$33,567 (2018 - \$33,177) to a defined contribution retirement savings plan on behalf of its employees. The contribution is allocated to salaries and benefits.

12. FINANCIAL INSTRUMENTS

The Cumberland YMCA is exposed to various risks through its financial instruments. The following analysis provides information about the association's significant risk exposure and concentration as of March 31, 2019.

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.

13. BUDGET

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