Consolidated financial statements of
YMCA of Greater Saint John Inc.
(Incorporated under the laws of New Brunswick)

December 31, 2017

Deloitte.

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Independent Auditor's Report

To the Members of
YMCA of Greater Saint John Inc.

We have audited the accompanying consolidated financial statements of YMCA of Greater Saint John Inc., which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of changes in fund balances, operations and changes in fund balances 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of YMCA of Greater Saint John Inc. as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matters

The consolidated financial statements of YMCA of Greater Saint John Inc. for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements dated March 28, 2017.

Deloitte LLP

Chartered Professional Accountants
April 24, 2018
Saint John, NB

YMCA of Greater Saint John Inc.

Consolidated statement of financial position

as at December 31, 2017

	Note	Operating fund	Capital fund	Endowment fund	2017 Total	2016 Total
		$	$	$	$	$
Assets						
Current assets						
Cash		1,737,845	298,081	4,623	2,040,549	1,702,002
Accounts receivable	3	159,920	49,726	2,901	212,547	241,058
Prepaid expenses		68,079	—	—	68,079	101,939
		1,965,844	347,807	7,524	2,321,175	2,044,999
Investments	4	—	—	847,846	847,846	804,350
Investments held in trust	2,4	—	—	226,066	226,066	—
Property and equipment	5	903,250	20,045,600	—	20,948,850	21,156,357
		2,869,094	20,393,407	1,081,436	24,343,937	24,005,706
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities	6	437,358	—	2,328	439,686	417,007
Deferred revenue	7	917,605	—	—	917,605	1,045,525
Demand term loan	8	—	468,000	—	468,000	2,330,000
Current portion of long-term debt	8	—	288,000	—	288,000	—
		1,354,963	756,000	2,328	2,113,291	3,792,532
Deferred contributions	9	18,625	17,657,301	—	17,675,926	17,179,672
Long-term debt	8	—	1,172,000	—	1,172,000	—
Inter-fund accounts payable (receivable)		839,379	(1,065,745)	226,366	—	—
		2,212,967	18,519,556	228,694	20,961,217	20,972,204
Commitments	10					
Fund balances						
Invested in property and equipment		—	1,447,785	—	1,447,785	1,544,635
Externally restricted		—	—	475,999	475,999	606,871
Internally restricted		—	—	376,743	376,743	376,743
Restricted for capital replacement	2	—	426,066	—	426,066	225,000
Unrestricted		656,127	—	—	656,127	280,253
		656,127	1,873,851	852,742	3,382,720	3,033,502
		2,869,094	20,393,407	1,081,436	24,343,937	24,005,706

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board

_______________ Director

_______________ Director

YMCA of Greater Saint John Inc.

Consolidated statement of changes in fund balances

year ended December 31, 2017

	Notes	2017 Operating fund	2017 Capital fund	2017 Endowment fund	2017 Total	2016 Total
		$	**$**	**$**	**$**	$
Balance, beginning of year		**280,253**	**1,769,635**	**983,614**	**3,033,502**	2,651,832
Endowment contributions (withdrawals)		**—**	**—**	**(154,972)**	**(154,972)**	1,000
Transfer to fund balance restricted for capital replacement	2	**(200,000)**	**201,066**	**—**	**1,066**	—
Excess (deficiency) of revenue over expenditure		**575,874**	**(96,850)**	**24,100**	**503,124**	380,670
Balance, end of year		**656,127**	**1,873,851**	**852,742**	**3,382,720**	3,033,502

The accompanying notes are an integral part of the consolidated financial statements

YMCA of Greater Saint John Inc.

Consolidated statement of operations
year ended December 31, 2017

	Notes	Operating fund	Capital fund	Endowment fund	2017 Total	2016 Total
		$	$	$	$	$
Revenue						
Newcomer services		**2,760,945**	**—**	**—**	**2,760,945**	2,551,771
Health, fitness and aquatics		**2,452,869**	**—**	**—**	**2,452,869**	2,124,240
Childcare centres		**2,313,063**	**—**	**—**	**2,313,063**	2,160,098
Community centres and after school sites		**1,977,677**	**—**	**—**	**1,977,677**	1,939,591
Camps		**522,881**	**—**	**—**	**522,881**	505,545
Amortization of deferred contributions	9	**21,149**	**465,520**	**—**	**486,669**	480,174
Other revenue and donations		**82,738**	**—**	**6,302**	**89,040**	133,725
Investment income		**6,198**	**—**	**23,140**	**29,338**	29,981
Rental income		**—**	**—**	**—**	**—**	4,000
		10,137,520	**465,520**	**29,442**	**10,632,482**	9,929,125
Expenditure						
Salaries and benefits		**6,495,495**	**—**	**—**	**6,495,495**	5,983,045
Programs supplies and equipment		**877,211**	**—**	**—**	**877,211**	1,016,373
Amortization		**290,672**	**515,533**	**—**	**806,205**	801,004
Maintenance and utilities		**706,414**	**—**	**—**	**706,414**	641,070
Bank and financial		**239,214**	**46,085**	**—**	**285,299**	242,917
Office and general		**262,095**	**752**	**—**	**262,847**	245,322
Rent		**217,940**	**—**	**—**	**217,940**	222,934
Professional fees		**176,720**	**—**	**—**	**176,720**	97,489
YMCA allocation fees	10	**137,480**	**—**	**—**	**137,480**	108,890
Staff and volunteer development		**104,209**	**—**	**—**	**104,209**	119,795
Advertising		**47,813**	**—**	**—**	**47,813**	64,742
Endowment		**—**	**—**	**39,868**	**39,868**	43,694
Fundraising		**6,383**	**—**	**—**	**6,383**	13,480
		9,561,646	**562,370**	**39,868**	**10,163,884**	9,600,755
Excess (deficiency) of revenue over expenditure before		**575,874**	**(96,850)**	**(10,426)**	**468,598**	328,370
Net gain on investments		**—**	**—**	**34,526**	**34,526**	52,300
Excess (deficiency) of revenue over expenditure		**575,874**	**(96,850)**	**24,100**	**503,124**	380,670

The accompanying notes are an integral part of the consolidated financial statements.

YMCA of Greater Saint John Inc.

Statement of cash flows

year ended December 31, 2017

	Operating fund	Capital fund	Endowment fund	2017 Total	2016 Total
	$	$	$	$	$
Operating activities					
Excess (deficiency) of revenue over expenditure	575,874	(96,849)	24,100	503,125	380,670
Items not involving cash					
Amortization	290,672	515,533	—	806,205	801,004
Amortization of deferred contributions related to property and equipment	(21,149)	(465,520)	—	(486,669)	(480,174)
(Gain) loss on disposal of property and equipment	(4,141)	—	—	(4,141)	1,038
Net gain on investments	—	—	(34,526)	(34,526)	(52,300)
	841,256	(46,836)	(10,426)	783,994	650,238
Changes in non-cash working capital balances					
Accounts receivable	48,830	(19,855)	(464)	28,511	1,024,840
Prepaid expenses	33,860	—	—	33,860	(41,932)
Accounts payable and accrued liabilities	82,457	(59,705)	(73)	22,679	(1,864,683)
Deferred revenue	(127,920)	—	—	(127,920)	208,484
	878,483	(126,396)	(10,963)	741,124	(23,053)
Investing activities					
Purchase of investments	—	—	(218,213)	(218,213)	(74,790)
Purchase of investments held in trust	—	—	(225,118)	(225,118)	—
Proceeds on disposal of investments	—	—	208,295	208,295	79,203
Purchase of property and equipment	(161,253)	(437,445)	—	(598,698)	(199,756)
Deferred contributions received	—	982,923	—	982,923	591,905
Proceeds on disposal of property and equipment	4,140	—	—	4,140	1,131
Transfer to capital replacement reserve	—	(225,000)	—	(225,000)	—
	(157,113)	320,478	(235,036)	(71,671)	397,693
Financing activities					
Proceeds of demand term loan	—	—	—	—	450,000
Repayment of demand term loan	(240,000)	(162,000)	—	(402,000)	(620,000)
Repayment of promissory note	—	(167,400)	—	(167,400)	—
Inter-fund accounts	(255,858)	260,177	(4,319)	-	—
Amount due to YMCA of Greater Saint John Inc.			226,066	226,066	—
Endowment withdrawals	—	—	(167,949)	(167,949)	—
Endowment contributions	—	—	12,977	12,977	1,000
Proceeds from promissory note	—	—	167,400	167,400	—
	(495,858)	(69,223)	234,175	(330,906)	(169,000)
Increase (decrease) in cash	225,512	124,859	(11,824)	338,547	205,640
Cash, beginning of year	1,512,333	173,222	16,447	1,702,002	1,496,362
Cash, end of year	1,737,845	298,081	4,623	2,040,549	1,702,002

The accompanying notes are an integral part of the consolidated financial statements

Purpose of the organization

YMCA of Greater Saint John Inc. (the “Organization”) is a membership and volunteer association committed to excellence in serving the community through the development of spirit, mind and body.

Additionally, the Organization controls the activities of YMCA of Greater Saint John Endowment Fund Inc. by virtue of its ability to approve the election or appointment of the majority of the Board of Directors. The purpose of YMCA of Greater Saint John Endowment Fund Inc. is to raise, invest and direct the management of funds and distribute investment income for the purpose of providing for the future financial stability of the Organization and to enhance the “Y” presence in the community.

The Organization is incorporated under the laws of New Brunswick and, as a registered charities under the Income Tax Act, are exempt from paying income taxes.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Consolidated financial statements

These consolidated financial statements have been prepared on a consolidated basis and include the accounts of both the Organization and YMCA of Greater Saint John Endowment Fund Inc.

Fund accounting

The Organization follows the deferral method of accounting for contributions, uses three funds to record its transactions, the operating fund, the capital fund and the endowment fund.

Operating fund

The operating fund includes all revenue and expenditure related to program delivery and administrative activities.

Capital fund

The capital fund reports the assets, liabilities, revenue and expenditure related to the organization’s land, buildings and leasehold improvements and revenue and expenditure related to the fundraising campaign to raise money for construction of the Saint John Regional Y and revitalization of Camp Glenburn.

Endowment fund

The endowment fund consists of the assets, liabilities, revenue and expenditure of YMCA of Greater Saint John Endowment Fund Inc. Certain endowment contributions and the investment income earned thereon are subject to restrictions imposed by contributors. The remaining endowment fund balance has been internally restricted and is not available for operating purposes without the approval of the board of directors of YMCA of Greater Saint John Endowment Fund Inc.

Cash and cash equivalents

The Organization’s policy is to disclose bank balances under cash and cash equivalents, if applicable, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

1. Significant accounting policies (continued)

Property and equipment

Purchased property and equipment are recorded at acquisition cost. Contributed property and equipment are recorded at fair value at the date of contribution. Land, building and leasehold improvements are recorded in the Capital Fund and equipment is recorded in the Operating Fund. Amortization is being provided for using the straight-line method at the following annual rates:

Buildings	2.5%-5%
Equipment	10%-33%
Leasehold improvements	33%

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenditure is incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the fund balance in the year.

Revenue from membership sales is recognized over the term of the memberships.

Pledges receivable are not recognized as revenue until collected because the organization cannot make a reasonable estimate of the amount that will be collected and collection is not reasonably assured. Pledges collected subsequent to December 31, 2017 for the construction of the Regional Y and the revitalization of Camp Glenburn will be deferred and amortized to income over the remaining estimated useful life of the assets.

All other revenue is recorded on an accrual basis.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net gain on investments, along with realized gains on disposals of investments. Interest income is recognized to revenue.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and demand term loan.

The Organization's financial assets measured at fair value include investments.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenditure. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenditure.

Transaction costs

The Organization recognizes its transaction costs in excess of revenue over expenditure in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

1. Significant accounting policies (continued)

Contributed services

Volunteers contribute an indeterminable number of hours per year. Due to the difficulty of determining their fair values, contributed services are not recognized in the consolidated financial statements.

Use of estimates

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

2. Internal restriction for capital replacement

In November 2015, the Board of Directors established an internally restricted fund for capital replacement. The purpose of the restricted fund is to provide for major repairs to the Organization's three main assets: Regional Y, Glen Carpenter Centre and Camp Glenburn. All contributions and withdrawals from the capital replacement fund must be approved by the Board of Directors

In 2017, the Organization and the YMCA of Greater Saint John Endowment Fund Inc. entered into an agreement whereby the YMCA of Greater Saint John Endowment Fund Inc. will hold the capital replacement reserve funds in trust for the Organization. The funds are held in a segregated investment account and are invested in accordance with the YMCA of Greater Saint John Endowment Fund Inc.'s investment policy. Any investment income and related costs associated with the segregated funds are allocated to the segregated funds. No other costs are allocated.

For 2017, the Board of Directors approved a contribution of $200,000 (2016 - $225,000) to the internally restricted fund. The funds were paid subsequent to year-end. The increase to the fund in 2017 was $1,066 (2016 – $nil).

As at December 31, 2017, the balance in the fund is $226,066, which is offset by the amount due to the YMCA of Greater Saint John Inc.

3. Accounts receivable

				2017	2016
	Operating Fund	**Capital Fund**	**Endowment Fund**	**Total**	Total
	$	**$**	**$**	**$**	$
Programs	**87,459**	**—**	**—**	**87,459**	56,998
Provincial Government	**60,542**	**—**	**—**	**60,542**	80,359
Federal Government	**—**	**49,257**	**—**	**49,257**	18,381
Other	**25,419**	**—**	**2,901**	**28,320**	84,111
Harmonized Sales Tax recoverable	**—**	**469**	**—**	**469**	11,490
Allowance for doubtful accounts	**(13,500)**	**—**	**—**	**(13,500)**	(10,281)
	159,920	**49,726**	**2,901**	**212,547**	241,058

4. Investments

	2017	2016
	$	$
Money market funds	**38,234**	39,864
Government of Canada bonds, bearing coupon rates of 5% to8%, due 2027 to 2037, face value of $34,000 (2016 - $34,000)	**50,217**	51,309
Provincial bonds, bearing coupon rates of 1.45% to 6.5%, due 2018 to 2037, face value of $45,507 (2016 - $45,507)	**50,805**	50,747
Corporate bonds, bearing coupon rates of 1.58% to 3.37%, due 2017 to 2023, face value of $238,119 (2016 - $218,524)	**248,111**	215,944
	349,133	318,000
Equities		
Canadian equities	**334,335**	317,075
Foreign equities	**126,144**	129,411
	460,479	446,486
	847,846	804,350

Investments held in trust for YMCA of Greater Saint John Inc.

	2017	2016
	$	$
Money market funds	**21,247**	-
Fixed income funds, bearing interest of 1.184% to 2.98%, face value of $89,000 ($nil in 2016)	**90,539**	-
	90,539	-
Equities		
Canadian equities	**83,387**	-
Foreign equities	**30,893**	-
	114,280	-
	226,066	-
Total of all investments	**1,073,912**	804,350

5. Property and equipment

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Operating fund				
Equipment	1,892,510	989,260	903,250	1,032,669
	1,892,510	989,260	903,250	1,032,669
Capital fund				
Land	1,051,540	-	1,051,540	1,051,540
Buildings	20,410,483	1,416,423	18,994,060	19,072,148
	21,462,023	1,416,423	20,045,600	20,123,688
	23,354,533	2,405,683	20,948,850	21,156,357

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes HST payable of $10,734 (2016 - $299).

7. Deferred revenue

	2017	2016
	$	$
Newcomer services	326,255	368,711
Child care centres	227,334	262,069
Grants and donations	200,856	284,495
Early Learning Centre	115,321	85,030
Membership fees	25,083	31,156
Overnight camp	22,756	14,064
	917,605	1,045,525

8. Credit facilities

At December 31, 2017, the Organization has drawn on their available credit facilities as follows:

	2017		2016
	Capital Fund	Total	Total
	$	$	$
Current			
Facility 1- RBC non-revolving, term facility, interest rate of prime +0.70%, no fixed terms of repayment. Secured by collateral mortgage in the amount of $6,000,000.	**468,000**	**468,000**	—
Other facility Refinanced during 2017	**—**	**—**	2,330,000
Current portion of facility 2 and other	**288,000**	**288,000**	2,330,000
	756,000	**756,000**	—
Long-term			
Facility 2 - RBC non-revolving , term facility, fixed interest of 3.95% repayable in monthly installments of $24,000 plus interest. Secured by collateral mortgage in the amount of $6,000,000.	**1,172,000**	**1,172,000**	—
	1,928,000	**1,928,000**	2,330,000

Annual repayments for the next five years are as follows:

2018	288,000
2019	288,000
2020	288,000
2021	288,000
2022	288,000

9. Deferred contributions

Deferred contributions are related to property and equipment and represent contributions to the Organization from federal, provincial and municipal government and private capital campaign contributions for the purchase of property and equipment. These contributions are amortized to revenue on the same basis as the related property and equipment are amortized to expenditure. The change in the deferred contributions balance for the year is as follows:

	2017			2016
	Operating fund	Capital fund	Total	Total
	$	$	$	$
Balance, beginning of year	**39,774**	**17,139,898**	**17,179,672**	17,067,941
Contribution received during the year	**—**	**982,923**	**982,923**	591,905
Amount amortized to revenue	**(21,149)**	**(465,520)**	**(486,669)**	(480,174)
Balance, end of year	**18,625**	**17,657,301**	**17,675,926**	17,179,672

10. Commitments

The Organization has made commitments for leased equipment and service contracts. The minimum annual payments over the next five years are as follows:

	$
2018	73,120
2019	25,138
2020	21,919
2021	17,104
2022	5,628

The Organization has other committed lease payments with minimum annual lease payments that are as follows:

	$
2018	143,338
2019	125,063
2020	101,934
2021	10,075

On an annual basis, the Organization incurs an allocation fee charged by YMCA Canada, which is based on approximately 1.5% of the organization's previous year's revenue. The allocation fee expense for 2017 was $137,480 (2016 - $108,890).

11. Financial instruments

Risks and concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the Organization's risk exposure and concentrations at the balance sheet date:

Liquidity risk

The Organization's objective is to have sufficient liquidity to meet its liabilities when due. The Organization monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2017, the most significant financial liabilities are accounts payable and accrued liabilities, demand term loan, long-term debt, and payables to related parties.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's main credit risks relate to its accounts receivable. The Organization provides credit to its clients in the normal course of operations. Of total accounts receivable held at December 31, 2017, 41.9% (2016 – 45.7%) relate to amounts receivable from the Government of New Brunswick.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

11. Financial instruments (continued)

Risks and concentrations (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 14.6% (2016 – 16.1%) of the organization's investments are in foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Approximately 40.9% (2016 – 39.5%) of the organization's investments are fixed rate investments. The Organization is exposed to interest rate risk on its fixed rate investments. Fixed-rate instruments subject the organization to a fair value risk.

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 Organization is exposed to other price risk through its investments in quoted shares.