Young Men's Christian Association of Brandon

Financial Statements
For the year ended August 31, 2018

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Contents

Independent Auditor's Report

To the Members of Young Men's Christian Association of Brandon

We have audited the accompanying financial statements of **Young Men's Christian Association of Brandon**, which comprise the statement of financial position as at August 31, 2018 and the statement of operations, statement of changes in net assets and cash flow statement 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 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 charitable organizations, the organization derives revenue from donations and other fundraising activities, 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. We were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations, for the year ended August 31, 2018 and 2017, and current assets and net assets at August 31, 2018 and 2017. Our audit opinion of the financial statements for the year ended August 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragragh, the financial statements present fairly, in all material respects, the financial position of **Young Men's Christian Association of Brandon** as at August 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.

Chartered Professional Accountants

Brandon, Manitoba
November 14, 2018

Young Men's Christian Association of Brandon
Statement of Financial Position

August 31		2018		2017
Assets				
Current Assets				
Cash	$	**312,267**	$	47,861
Restricted cash		**554,209**		432,651
Accounts receivable		**207,838**		208,018
Prepaid expenses		**49,111**		9,111
		1,123,425		697,641
Property, plant and equipment (Note 2)		**16,286,850**		17,170,079
	$	**17,410,275**	$	17,867,720
Liabilities and Net Assets				
Current Liabilities				
Accounts payable (Note 3)	$	**206,730**	$	158,741
Deferred revenue (Note 4)		**235,300**		262,622
Current portion of long-term debt (Note 5)		**151,549**		164,400
Current portion of capital lease obligation (Note 7)		**24,820**		67,312
		618,399		653,075
Long-term debt (Note 5)		**2,351,955**		2,492,504
Deferred capital contributions (Note 6)		**11,734,546**		12,223,386
Capital lease obligation (Note 7)		**-**		22,041
		14,704,900		15,391,006
Net Assets				
Unrestricted		**2,705,375**		2,476,714
	$	**17,410,275**	$	17,867,720

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

Young Men's Christian Association of Brandon
Statement of Changes in Net Assets

For the year ended August 31	2018	2017
Balance, beginning of year	**$ 2,476,714**	$ 2,105,077
Excess of revenues over expenses	**228,661**	371,637
Balance, end of year	**$ 2,705,375**	$ 2,476,714

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

Young Men's Christian Association of Brandon
Statement of Operations

For the year ended August 31	2018	2017
Revenue		
Parent fees	**$ 2,062,053**	$ 1,876,125
Memberships	**1,822,402**	1,978,289
Province of Manitoba	**1,223,599**	1,121,635
City of Brandon	**143,926**	125,218
United Way	**50,000**	60,000
Amortization of deferred capital contributions	**601,980**	662,414
Program revenue	**321,436**	333,047
	6,225,396	6,156,728
Expenses		
Amortization of property, plant and equipment	**896,420**	965,373
Bank interest and charges	**75,770**	86,509
Interest on long-term debt	**121,922**	118,827
Occupancy costs	**388,909**	338,294
Office supplies and expenses	**74,231**	120,431
Professional fees	**14,320**	12,642
Program supplies	**260,474**	258,845
Salaries and benefits	**3,923,481**	3,753,913
Training	**43,263**	72,518
Travel and vehicles	**20,365**	33,674
YMCA affiliation dues	**126,177**	105,882
	5,945,332	5,866,908
Excess of revenues over expenses before other items	**280,064**	289,820
Other Items		
Gain on investments	**67,529**	81,817
Loss on disposal of property, plant and equipment	**(118,932)**	-
Excess of revenue over expenses	**$ 228,661**	$ 371,637

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

Young Men's Christian Association of Brandon
Statement of Cash Flows

For the year ended August 31	2018	2017
Cash Flows from Operating Activities		
Excess of revenue over expenses	**$ 228,661**	$ 371,637
Adjustments for		
Amortization of property, plant and equipment	**896,420**	965,373
Loss on disposal of property, plant and equipment	**118,932**	-
	1,244,013	1,337,010
Changes in non-cash working capital balances		
Accounts receivable	**180**	(37,840)
Prepaid expenses	**(40,000)**	15,000
Accounts payable	**47,990**	(232,382)
Deferred capital contributions	**(488,840)**	(561,600)
Deferred revenue	**(27,322)**	(14,161)
	(507,992)	(830,983)
	736,021	506,027
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	**(132,124)**	(268,342)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(153,400)**	(242,804)
Repayment of capital lease	**(64,533)**	(52,210)
	(217,933)	(295,014)
Increase (decrease) in cash and cash equivalents	**385,964**	(57,329)
Cash and cash equivalents, beginning of year	**480,512**	537,841
Cash and cash equivalents, end of year	**$ 866,476**	$ 480,512
Represented by		
Cash	**$ 312,267**	$ 47,861
Restricted cash	**554,209**	432,651
	$ 866,476	$ 480,512

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

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Young Men's Christian Association of Brandon is a charitable association dedicated to providing quality programs and services for all individuals in the development of spirit, mind and body, in Brandon and the surrounding area.

The organization is a non-profit entity; therefore any surplus that it generates is non-taxable.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Amortization is provided for on a declining balance basis in accordance with the following rates:

Buildings	5%
Computer equipment	30%
Equipment	20%
Intangibles	20%
Leasehold improvements	5%
Park	5%

Revenue Recognition

Pledge revenue and fundraising revenue are recorded when received. Grant revenue is recognized in the period that the expenditures related to the revenue are incurred. All other revenue is recorded when earned.

The organization follows the deferral method of accounting for restricted contributions. Contributions are recognized as revenue in the period the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributed Goods

Contributed goods and services are recorded in the financial statements at their estimated fair market value at the time of contribution when the fair value of the contributed goods and services can be reasonably estimated and when the goods and services are used in the normal course of operations and would have otherwise been purchased.

1. Nature of Operations and 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 revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future. Estimates have been used by management in the following areas:

The settlement amount of liabilities accrued at year end,

The recoverable amount of accounts receivable outstanding at year end,

The useful life of property, plant and equipment

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. Equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

2. Property, Plant and Equipment

	2018 Cost	2018 Accumulated Amortization	2017 Cost	2017 Accumulated Amortization
Land	**$ 665,452**	**$ -**	$ 665,452	$ -
Buildings	**18,501,627**	**4,142,184**	18,473,127	3,386,423
Computer equipment	**204,926**	**191,730**	204,926	186,074
Equipment	**1,356,435**	**993,624**	1,285,234	911,631
Intangibles	**-**	**-**	108,137	21,627
Leasehold Improvements - Y-South	**953,369**	**339,610**	953,369	300,926
Leasehold improvements- Y-West	**167,616**	**73,638**	167,616	68,692
Leasehold improvements- New Era	**20,559**	**8,865**	20,559	8,249
Park	**204,191**	**37,674**	204,191	28,910
	$ 22,074,175	**$ 5,787,325**	$ 22,082,611	$ 4,912,532
Net book value		**$ 16,286,850**		$ 17,170,079

3. Accounts Payable

Included in accounts payable is $51,872 (2017 - $46,757) of government remittances payable.

4. Deferred Revenue

	2018	2017
Opening deferred revenue	**$ 262,622**	$ 276,783
Revenue received	**3,478,684**	3,410,150
Revenue recognized	**(3,506,006)**	(3,424,311)
	$ 235,300	$ 262,622

The deferred revenue balance is made up of unearned membership fees collected and restricted funds received for the purposes of capital improvement and expansion.

5. Long-Term Debt

	2018	2017
Royal Bank loan, repayable at $10,000 monthly plus interest at 4.48%, secured by building with a carrying value of $14,359,443, maturing in 2037.	**$ 2,362,000**	$ 2,483,000
Brandon Regional Health Authority loan, repayable at quarterly interest only payments of $2,800 at 3.5%, for first 3 years. Remaining 10 years repayable quarterly at $9,516 including interest at 3.5%, secured by land and building with a carrying value of $581,428, maturing in 2023.	**141,504**	173,904
	2,503,504	2,656,904
Less amounts due within one year included in current liabilities	**151,549**	164,400
	$ 2,351,955	$ 2,492,504

Principal repayments for the next five years and thereafter are as follows:

2019	$ 151,549
2020	156,739
2021	162,971
2022	168,502
2023	139,743
Thereafter	1,724,000
	$ 2,503,504

6. Deferred Capital Contributions

Deferred capital contributions represent the unamortized portion of restricted contributions received that were used to purchase capital assets. Recognition of these amounts as revenue is deferred to the period when the related assets are amortized.

	2018	2017
Opening deferred capital contributions	**$ 12,223,386**	$ 12,784,986
Deferred capital contributions received	**101,993**	86,215
Deferred capital contributions recognized	**(590,833)**	(647,815)
Ending deferred capital contributions	**$ 11,734,546**	$ 12,223,386

7. Capital Lease Obligation

	2018	2017
Royal Bank capital lease, repayable at $5,609 monthly, including interest, maturing in 2019. The lease is secured with a general security agreement and a mortgage of lease.	**$ 24,820**	$ 89,353
Less amounts due within one year included in current liabilities	**24,820**	67,312
	$ -	$ 22,041

Principal repayments for the next five years and thereafter are as follows:

2019	$ 24,820

8. Financial Risk Management

The organization as part of its operations, carries a number of financial instruments. It is management's opinion that the organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from the financial instruments except as otherwise noted.

Market Risk
Market risk is the risk 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: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments of the entity are exposed to interest rate risk. The long term debt is also affected by interest rate 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. The entity is exposed to other price risk.

Liquidity Risk
Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the entity's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

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.
Credit risk arises principally from receivables. The entity's receivables are the result of grant funding and related holdbacks receivable, credit card payments and a large number of small customer balances receivable. Due to the nature of these balances, collectibility is reasonably assured. The credit risk is minimal.

9. Payments to Directors and Senior Staff

Over the course of a year the YMCA may carry out business transactions with suppliers of goods and services with whom there exists a non-arm's length relationship with either directors or senior managers of the YMCA. These transactions occur through the normal course of operations and are subject to normal procurement practice and policies and are reviewed in conjunction with the audit. During the fiscal year 2017-2018, these transactions amounted to $40,294 with two different companies.