

Financial Statements of

# YMCA Canada

December 31, 2012

## INDEPENDENT AUDITORS' REPORT

To The National Council of Young Men's Christian Associations of Canada

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **YMCA Canada**, which comprise the balance sheets as at December 31, 2012 and 2011, and January 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and 2011, 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.

#### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors' 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 auditors consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **YMCA Canada** as at December 31, 2012 and 2011, and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Canada Corporations Act, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
March 2, 2013.

*Ernst & Young LLP*

Chartered Accountants  
Licensed Public Accountants

**YMCA Canada**  
BALANCE SHEETS

	December 31, 2012	December 31, 2011	January 1, 2011
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 311,178	\$ 226,092	\$ 1,182,640
Short-term investments	505,750	1,512,534	1,000,000
Accounts receivable	290,598	484,771	160,325
Current portion of note receivable (note 4)	242,096	232,103	222,523
Program materials held for sale	-	98,403	51,740
Prepaid expenses	131,710	49,851	30,142
	<b>1,481,332</b>	<b>2,603,754</b>	<b>2,647,370</b>
Investments, at market value (note 3(a))	15,730,842	13,484,482	13,130,410
Note receivable (note 4)	1,106,360	1,349,274	1,582,160
Capital assets, net (note 5)	223,141	282,667	106,547
Other long-term assets	204,068	169,435	155,773
	<b>\$18,745,743</b>	<b>\$17,889,612</b>	<b>\$17,622,260</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 415,825	\$ 604,123	\$ 938,689
Deferred contributions (note 7)	673,222	457,380	274,325
	<b>1,089,047</b>	<b>1,061,503</b>	<b>1,213,014</b>
Deferred lease inducement	171,162	190,913	-
	<b>1,260,209</b>	<b>1,252,416</b>	<b>1,213,014</b>
<b>Net Assets</b>			
Endowments (note 8)	15,201,205	14,135,649	13,787,528
Board restricted reserves (note 9)	2,080,874	2,298,082	2,467,122
Unrestricted	203,455	203,465	154,596
	<b>17,485,534</b>	<b>16,637,196</b>	<b>16,409,246</b>
	<b>\$18,745,743</b>	<b>\$17,889,612</b>	<b>\$17,622,260</b>

See accompanying notes

On behalf of the Board:

  
Director

  
Director

**YMCA Canada**  
**STATEMENTS OF OPERATIONS**

For the years ended December 31

	2012	2011
<b>REVENUE</b>		
Allocations	\$6,413,363	\$5,977,477
Government income (note 7)	540,812	374,862
Sales of program materials	127,661	192,804
National training programs and conferences	244,070	411,522
Other	226,861	186,970
YMCA Management Resource Centre dues	1,152,883	1,182,894
Government and other grants (note 7)	1,122,200	1,932,055
	<b>9,827,850</b>	<b>10,258,584</b>
<b>EXPENSES</b>		
Salaries and employee benefits	2,167,147	1,979,036
Purchased services	2,073,573	1,454,842
Travel and meetings	1,331,468	1,230,812
YMCA Lead and other Association agreements	831,598	779,082
YMCA Management Resource Centre support	597,388	462,967
Communications	289,547	267,124
Cost of program materials sold	134,991	102,521
Uncollected association charges	-	317,563
World YMCA services	316,384	300,981
Rent and office expenses	251,871	308,969
Affiliations, professional services and insurance	162,691	217,428
Amortization of capital assets	93,406	78,206
YMCA Management Resource Centre dues	1,152,883	1,182,894
Grants distributed (note 7)	1,122,200	1,932,055
	<b>10,525,147</b>	<b>10,614,480</b>
Deficiency of revenue over expenses before the following	<b>(697,297)</b>	<b>(355,896)</b>
Investment gain (note 3(b))	1,242,988	488,395
Interest income on note receivable (note 4)	61,268	70,882
<b>Excess of revenue over expenses for the year</b>	<b>\$ 606,959</b>	<b>\$ 203,381</b>

See accompanying notes

**YMCA Canada**  
**STATEMENTS OF CHANGES IN NET ASSETS**

For the years ended December 31

	2012		2011	
	Endowments	Board restricted reserves	Unrestricted	Total
<b>Balance, beginning of year</b>	\$14,135,649	\$2,298,082	\$203,465	\$16,637,196
Excess of revenue over expenses for the year	-	-	606,959	\$16,409,246
Investment gain on externally restricted endowments (note 3(b))	139,984	-	-	203,381
Endowment contributions	101,395	-	-	24,569
Interfund transfers (note 10)	824,177	(217,208)	(606,969)	-
<b>Balance, end of year</b>	<b>\$15,201,205</b>	<b>\$2,080,874</b>	<b>\$203,455</b>	<b>\$17,485,534</b>
				<b>\$16,637,196</b>

See accompanying notes

**YMCA Canada**  
**STATEMENTS OF CASH FLOWS**

For the years ended December 31

	2012	2011
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 606,959	\$ 203,381
Add non-cash items:		
Amortization of capital assets	93,406	78,206
Investment gain reinvested	(1,242,988)	(488,395)
Amortization of deferred lease inducement	(19,751)	-
	<b>(562,374)</b>	<b>(206,808)</b>
Net change in non-cash working capital balances related to operations	22,419	(725,384)
Net change in deferred contributions	181,694	149,147
Increase in deferred lease inducement	-	190,913
<b>Cash used in operating activities</b>	<b>(358,261)</b>	<b>(592,132)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	(33,880)	(254,326)
Purchase of investments	(1,020,000)	-
Withdrawals from long-term investments	190,760	192,800
Decrease (increase) in short-term investments	1,006,784	(512,534)
Repayment of note receivable	232,921	223,306
Increase in other long-term assets	(34,633)	(13,662)
<b>Cash provided by (used in) investing activities</b>	<b>341,952</b>	<b>(364,416)</b>
<b>FINANCING ACTIVITIES</b>		
Endowment contributions	101,395	-
<b>Cash provided by financing activities</b>	<b>101,395</b>	<b>-</b>
<b>Net increase (decrease) in cash position during the year</b>	<b>85,086</b>	<b>(956,548)</b>
Cash and cash equivalents, beginning of year	226,092	1,182,640
<b>Cash and cash equivalents, end of year</b>	<b>\$ 311,178</b>	<b>\$ 226,092</b>

See accompanying notes

# YMCA Canada

Notes to the Financial Statements

December 31, 2012

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## 1. NATURE OF THE ORGANIZATION

The National Council of Young Men's Christian Associations of Canada, which operates as YMCA Canada, is incorporated without share capital under the laws of Canada. YMCA Canada is registered as a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada).

YMCA Canada is a federation made up of 45 YMCA's and 6 YMCA-YWCA member Associations. YMCA Canada is dedicated to strengthening the foundations of community by nurturing the potential of children, youth and families; promoting healthy living; and fostering social responsibility in order to deliver lasting personal and social change.

YMCA Canada represents the federation nationally and fosters the development of strong Canadian YMCA and YMCA-YWCA member Associations; encourages collaborative initiatives; protects and enhances the reputation of the YMCA; and advocates on behalf of Associations regionally, nationally and internationally.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants ["CICA"] Handbook – Accounting Standards for Not-for-Profit Organizations which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

### Revenue recognition

Allocations and YMCA Management Resource Centre dues are recognized in the year to which the amounts relate. Sales of program materials are recognized when goods are shipped. Fees for national training programs and conferences are recognized in the year during which the event is held.

YMCA Canada follows the deferral method of accounting for contributions, which include donations and government grants. Grants and bequests are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recognized when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when recorded in the accounts. Externally restricted contributions are initially deferred when recognized in the accounts and recognized as revenue in the year in which the related expenses are incurred except for endowment contributions, which are recognized as direct increases in net assets.

Investment gain (loss), which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded in the statement of operations, except to the extent it is externally restricted, in which case it is added to/deducted from endowment net assets or other restricted balances on the balance sheet.

### Cash and cash equivalents

Cash and cash equivalents include cash and any short-term investments with a short-term maturity of three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

## YMCA Canada

Notes to the Financial Statements

December 31, 2012

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### Program materials held for sale

Program materials held for sale are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis.

### Financial instruments

Investments in short-term securities are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost. Other investments are recorded at fair value and transaction costs are expensed as incurred. All transactions are recorded on a trade date basis.

Other financial instruments are recorded at amortized cost.

### Capital assets

Purchased tangible and intangible capital assets are stated at acquisition cost. Contributed tangible and intangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

<b>Tangible</b>	
Leasehold improvements	over term of lease
Office equipment	5 years
Computer equipment	3 years
<b>Intangible</b>	
Public website	5 years

### Deferred lease inducement

The deferred lease inducement represents the value of a period of free rent and an incentive allowance paid by the landlord. It is being amortized on a straight-line basis over the term of the lease as a reduction of rent expense.

### Pension plan

Contributions to the Canadian YMCA Retirement Fund, a multi-employer defined contribution pension plan, are expensed on an accrual basis.

### Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

### Grants

Grants are expensed when the local YMCAs have disbursed the funds on the projects for which they were allocated.



## YMCA Canada

Notes to the Financial Statements

December 31, 2012

### 3. INVESTMENTS

- (a) YMCA Canada's investment portfolio consists of units of various funds managed by Mawer Investment Management Ltd. As at December 31, the mix of assets held in these funds is as follows:

	December 31, 2012		December 31, 2011		January 1, 2011	
		%		%		%
Cash and short-term	\$ 1,243,989	8	\$ 1,349,408	10	\$ 959,178	7
Bonds	6,562,334	42	5,822,895	43	5,227,075	40
Canadian equities	2,840,940	18	2,459,748	18	2,942,831	22
International equities	5,083,579	32	3,852,431	29	4,001,326	31
	<b>\$15,730,842</b>	<b>100</b>	<b>\$13,484,482</b>	<b>100</b>	<b>\$13,130,410</b>	<b>100</b>

- (b) Investment gain recorded in the statement of operations is calculated as follows:

	2012	2011
Total investment gain	\$1,473,034	\$601,344
Less management fees	(55,914)	(54,472)
Investment gain, net of management fees	1,417,120	546,872
Gain on externally restricted endowment funds added to endowment net assets (note 8)	(139,984)	(24,569)
Amount made available for spending on externally restricted endowments added to deferred contributions (note 7)	(34,148)	(33,908)
Total investment gain recognized as revenue	<b>\$1,242,988</b>	<b>\$488,395</b>

Investment gain recognized as revenue is related to the following balances:

	2012	2011
Internally restricted endowment funds (note 8)	\$1,153,669	\$444,670
Other	89,319	43,725
Total investment gain recognized as revenue	<b>\$1,242,988</b>	<b>\$488,395</b>

### 4. NOTE RECEIVABLE

The note receivable is repayable through blended monthly payments of principal and interest of \$24,516 with interest payable at 4.26% until January 1, 2014. The interest rate from January 1, 2014 to January 1, 2018, when the final payment is due, will be based on the prevailing five-year Government of Canada bond rate plus 2%. The note is repayable at any time without penalty. The YMCA Geneva Park lands have been pledged as security.

## YMCA Canada

Notes to the Financial Statements

December 31, 2012

### 5. CAPITAL ASSETS

Capital assets consist of the following:

	December 31, 2012		
	Cost	Accumulated Amortization	Net book value
Tangible			
Leasehold improvements	\$ 55,016	\$ 16,351	\$ 38,665
Office equipment	190,427	82,099	108,328
Computer equipment	111,613	70,141	41,472
Intangible			
Public website	115,586	80,910	34,676
	<b>\$472,642</b>	<b>\$249,501</b>	<b>\$223,141</b>

	December 31, 2011		
	Cost	Accumulated Amortization	Net book value
Tangible			
Leasehold improvements	\$ 55,016	\$ 10,849	\$ 44,167
Office equipment	190,427	48,225	142,202
Computer equipment	80,074	41,569	38,505
Intangible			
Public website	115,586	57,793	57,793
	<b>\$441,103</b>	<b>\$158,436</b>	<b>\$282,667</b>

	January 1, 2011		
	Cost	Accumulated Amortization	Net book value
Tangible			
Leasehold improvements	\$ 97,821	\$ 97,821	\$ -
Office equipment	213,934	207,453	6,481
Computer equipment	296,212	277,056	19,156
Intangible			
Public website	115,586	34,676	\$ 80,910
	<b>\$723,553</b>	<b>\$617,006</b>	<b>\$106,547</b>

During the year ended December 31, 2012, capital assets with a cost and accumulated amortization of \$2,341 were written off.

## YMCA Canada

Notes to the Financial Statements

December 31, 2012

### 6. LINE OF CREDIT

YMCA Canada has a \$600,000 unsecured operating line of credit with interest payable at the bank's prime rate plus 1.5% [December 31, 2012 - 4.75%]. There were no drawings on the line of credit in 2012 or 2011.

### 7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted grants and donations for various purposes. The changes in the deferred contributions balance are as follows:

	2012	2011
Balance, beginning of year	\$ 457,380	\$ 274,325
Amount received during the year	1,844,706	2,456,064
Amount made available for spending on externally restricted endowments (note 8)	34,148	33,908
Government income recognized during the year	(540,812)	(374,862)
Government grants related to grants distributed to member Associations and other recipients	(1,122,200)	(1,932,055)
Balance, end of year	\$ 673,222	\$ 457,380

### 8. ENDOWMENTS

Endowments consist of internally and externally restricted amounts where the endowment principal is to be maintained intact. The investment income generated from assets held for endowment purposes must be used in accordance with the various purposes established by the donors or the Board of Directors.

Endowments are comprised of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
Externally restricted			
Income restricted	\$ 1,539,284	\$ 1,331,167	\$ 1,309,994
Income unrestricted	518,492	485,230	481,834
	2,057,776	1,816,397	1,791,828
Internally restricted by the Board of Directors	13,143,429	12,319,252	11,995,700
	\$15,201,205	\$14,135,649	\$13,787,528

YMCA Canada has a capital preservation policy. This policy has the objective of protecting the real value of the endowments by limiting the amount of earned income available for spending and requiring the reinvestment of any income earned in excess of this limit. This preservation of capital is recorded as a direct increase in endowment net assets for externally restricted endowments. In any particular year, should investment income be insufficient to fund the amount to be made available for spending or the investment return is negative, the amount is funded by a transfer from endowment net assets.

## YMCA Canada

Notes to the Financial Statements

December 31, 2012

In fiscal 2012, the investment gain on externally restricted endowment net assets was \$191,114 (2011 - \$75,342). Of this amount, \$51,130 (2011 - \$50,773) was made available for spending, representing 3.5% (2011 - 3.5%) of the average market value of externally restricted endowment net assets over the previous 16 quarters, with \$34,148 (2011 - \$33,908) (note 7) added to deferred contributions and \$16,982 (2011 - \$16,865) recorded as revenue in the statement of operations. The return in excess of 3.5% of \$139,984 (2011 - \$24,569) (note 3(b)) was credited directly to externally restricted endowments.

For internally restricted endowments, any investment gain (loss) is recorded as revenue (expense) in the statement of operations. An amount is transferred to (from) internally restricted endowment net assets equal to the investment gain (loss) earned on these funds, adjusted by the amount approved for spending by the Board of Directors. In fiscal 2012, the amount of \$962,909 (2011 - \$251,870) transferred from unrestricted net assets to endowment net assets (note 10) represents the investment income earned on internally restricted endowment assets of \$1,153,669 (2011 - \$444,670) (note 3(b)) less the amount approved for spending of \$190,760 (2011 - \$192,800).

### 9. BOARD RESTRICTED RESERVES

Board restricted reserves are comprised of amounts internally restricted by the Board of Directors for future operating purposes.

### 10. INTERFUND TRANSFERS

Interfund transfers consist of the following:

	<u>Endowments</u>		<u>Board restricted reserves</u>		<u>Unrestricted</u>	
	2012	2011	2012	2011	2012	2011
Transfer in accordance with Board capital preservation policy (note 8)	\$962,909	\$ 251,870	-	-	\$(962,909)	\$(251,870)
Board approved transfer to reserves	(200,000)	-	\$ 200,000	-	-	-
Other Board approved transfers	61,268	71,682	(417,208)	\$(169,040)	355,940	97,358
	<u>\$824,177</u>	<u>\$ 323,552</u>	<u>\$(217,208)</u>	<u>\$(169,040)</u>	<u>\$(606,969)</u>	<u>\$(154,512)</u>

## YMCA Canada

Notes to the Financial Statements

December 31, 2012

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### 11. LEASE COMMITMENT

YMCA Canada has entered into a lease commitment for office premises which expires in August 2021. The future minimum annual lease payments are as follows:

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2013	\$ 185,382
2014	188,522
2015	191,756
2016	197,778
2017	206,590
Thereafter	788,991
	<hr/>
	\$1,759,019

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In addition to minimum rentals, the lease requires the payment of various operating costs.

### 12. Y. M. C. A. Properties Incorporated

YMCA Canada controls Y. M. C. A. Properties Incorporated ("YMCA Properties"), a corporation incorporated under the laws of Ontario. YMCA Properties is registered as a charitable organization and, as such, is exempt from income taxes under the Income Tax Act (Canada). The purpose of YMCA Properties is to purchase, lease or otherwise acquire, hold, sell or dispose of property in the Province of Ontario for itself or in its trust for local YMCAs or YMCA-YWCAs or for any other organization affiliated with or connected in any way with the work of the YMCA. YMCA Properties holds the title to property owned and operated by the YMCA of Simcoe/Muskoka. As at December 31, 2012, 2011 and January 1, 2011, YMCA Properties had no assets or liabilities and had no revenues or expenses for the years then ended.

### 13. FINANCIAL INSTRUMENTS

YMCA Canada is exposed to various financial risks through transactions in financial instruments.

#### Foreign currency risk

YMCA Canada is exposed to foreign currency risk with respect to the underlying securities of its pooled funds denominated in foreign currencies because of fluctuations in the relative value of foreign currencies against the Canadian dollar.

#### Credit risk

YMCA Canada is exposed to credit risk with respect to its accounts receivable and its short-term and fixed income investments, including the underlying investments of its pooled funds.

#### Interest rate risk

YMCA Canada is exposed to interest rate risk with respect to its investments in a pooled fund which holds fixed income securities and the note receivable, the fair values of which will fluctuate with changes in market interest rates. YMCA Canada is also exposed to interest rate risk with respect to its operating line of credit since the interest rate is linked to the bank's prime rate which changes from time to time.

## **YMCA Canada**

Notes to the Financial Statements

December 31, 2012

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### **Liquidity risk**

YMCA Canada is exposed to the risk that it will encounter difficulty in meeting obligations in connection with its accounts payable and accrued liabilities.

### **Other price risk**

YMCA Canada is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investment in a pooled fund which holds equity securities.

### **14. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS**

These financial statements are the first financial statements which YMCA Canada has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for non-for-profit organizations in Canada. First-time adoption of this new basis of accounting had no impact on excess of revenue over expenses for the year ended December 31, 2011, or net assets as at January 1, 2011, the date of transition.

