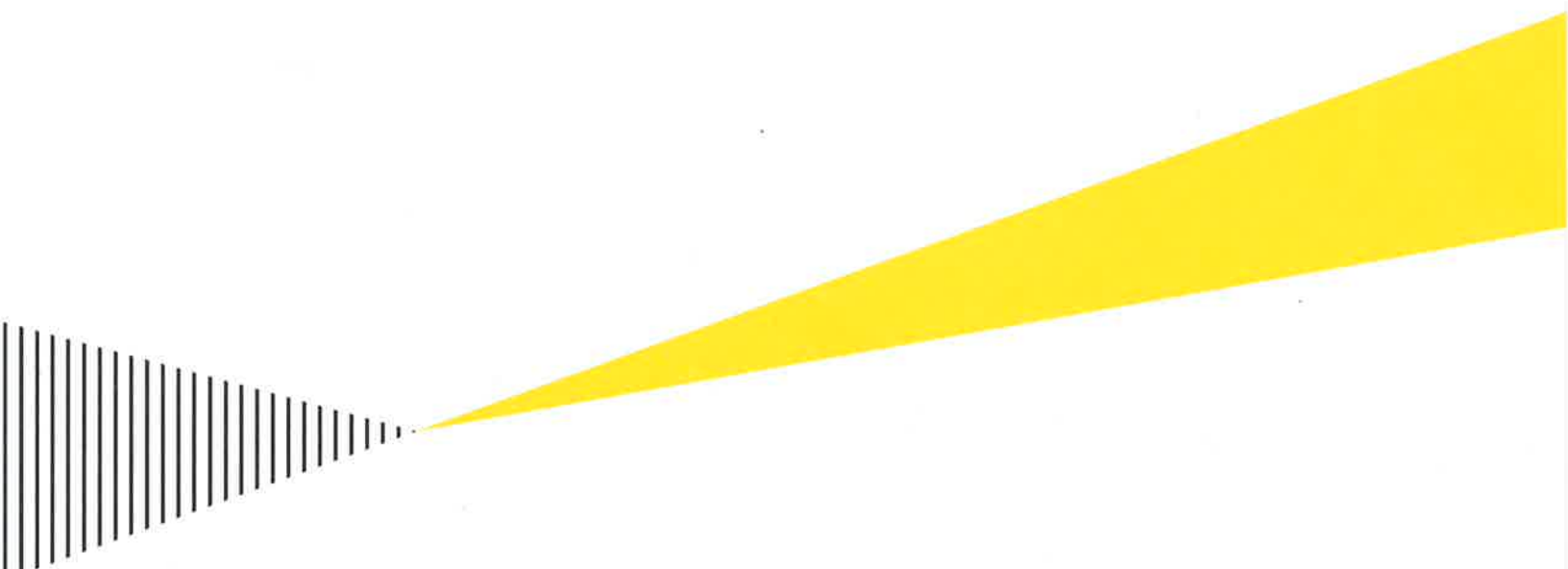


Financial Statements of

YMCA Canada

December 31, 2013



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 sheet as at December 31, 2013 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.

Auditors' 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 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 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, 2013 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.

Toronto, Canada,
March 8, 2014.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants



YMCA Canada

BALANCE SHEET

As at December 31

	2013	2012
ASSETS		
Current		
Cash and cash equivalents	\$ 479,481	\$ 311,178
Short-term investments	-	505,750
Accounts receivable	301,062	290,598
Current portion of note receivable (note 4)	252,519	242,096
Prepaid expenses	114,153	131,710
	1,147,215	1,481,332
Investments, at market value (note 3(a))	18,281,147	15,730,842
Note receivable (note 4)	852,989	1,106,360
Capital assets, net (note 5)	666,453	223,141
Other long-term assets	252,775	204,068
	\$21,200,579	\$18,745,743
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	\$ 713,232	\$ 415,825
Deferred contributions (note 7)	772,360	673,222
	1,485,592	1,089,047
Deferred lease inducement	151,413	171,162
	1,637,005	1,260,209
Net Assets		
Endowments (note 8)	17,157,416	15,201,205
Board restricted reserves (note 9)	2,202,704	2,080,874
Unrestricted	203,454	203,455
	19,563,574	17,485,534
	\$21,200,579	\$18,745,743

See accompanying notes

On behalf of the Board:



Director



Director



YMCA Canada
STATEMENT OF OPERATIONS

For the year ended December 31

	2013	2012
REVENUE		
Allocations	\$6,719,942	\$6,413,363
Government income (note 7)	325,207	540,812
Sales of program materials	-	127,661
National meetings and conferences	189,732	319,570
Miscellaneous	179,470	151,361
YMCA Resource Development Centre dues	1,180,277	1,152,883
Government and other grants (note 7)	1,586,772	1,122,200
	10,181,400	9,827,850
EXPENSES		
Salaries and employee benefits	2,694,420	2,167,147
Purchased services	1,816,291	2,073,573
Travel and meetings	1,051,619	1,331,468
YMCA Lead and other Association agreements	885,349	831,598
YMCA Resource Development Centre support	330,306	350,504
Communications	295,868	289,547
Cost of program materials sold	-	134,991
Uncollected association charges	230,129	-
World YMCA services	345,047	316,384
Rent and office expenses	243,213	251,871
Affiliations, professional services and insurance	169,667	409,575
Amortization of capital assets	93,291	93,406
YMCA Resource Development Centre dues	1,180,277	1,152,883
Grants distributed (note 7)	1,586,772	1,122,200
	10,922,249	10,525,147
Deficiency of revenue over expenses before the following	(740,849)	(697,297)
Investment gain (note 3(b))	2,426,630	1,242,988
Interest income on note receivable (note 4)	51,240	61,268
Excess of revenue over expenses for the year	\$ 1,737,021	\$ 606,959

See accompanying notes



YMCA Canada

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31

	2013			2012	
	Endowments	Board restricted reserves	Unrestricted	Total	Total
Balance, beginning of year	\$15,201,205	\$2,080,874	\$203,455	\$17,485,534	\$16,637,196
Excess of revenue over expenses for the year	-	-	1,737,021	1,737,021	606,959
Investment gain on externally restricted endowments (note 3(b))	317,186	-	-	317,186	139,984
Endowment contributions	23,833	-	-	23,833	101,395
Interfund transfers (note 10)	1,615,192	121,830	(1,737,022)	-	-
Balance, end of year	\$17,157,416	\$2,202,704	\$203,454	\$19,563,574	\$17,485,534

See accompanying notes



YMCA Canada
STATEMENT OF CASH FLOWS

For the year ended December 31

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 1,737,021	\$ 606,959
Add non-cash items:		
Amortization of capital assets	93,291	93,406
Investment gain reinvested	(2,426,630)	(1,242,988)
	(596,318)	(542,623)
Net change in non-cash working capital balances related to operations	304,500	22,419
Net change in deferred contributions	62,649	181,694
Net change in deferred lease inducement	(19,749)	(19,751)
Cash used in operating activities	(248,918)	(358,261)
INVESTING ACTIVITIES		
Purchase of capital assets	(536,603)	(33,880)
Purchase of investments	-	(1,020,000)
Decrease in short-term investments	505,750	1,006,784
Withdrawals from long-term investments	230,000	190,760
Repayment of note receivable	242,948	232,921
Increase in other long-term assets	(48,707)	(34,633)
Cash provided by investing activities	393,388	341,952
FINANCING ACTIVITIES		
Endowment contributions	23,833	101,395
Cash provided by financing activities	23,833	101,395
Net increase in cash position during the year	168,303	85,086
Cash and cash equivalents, beginning of year	311,178	226,092
Cash and cash equivalents, end of year	\$ 479,481	\$ 311,178

See accompanying notes



YMCA Canada

Notes to the Financial Statements

December 31, 2013

1. NATURE OF THE ORGANIZATION

The National Council of Young Men's Christian Associations of Canada, which operates as YMCA Canada, is continued under the Canada Not-for-Profit Corporations Act. 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 5 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 CPA Canada Handbook – Accounting 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 Resource Development 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 meetings 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, 2013

Financial instruments

Investments in short-term securities are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost, net of any provision for impairment. 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 including accounts receivable, note receivable and accounts payable and accrued liabilities are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

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:

Tangible	
Leasehold improvements	over term of lease
Office equipment	5 years
Computer equipment	3 years
Intangible	
Internally developed software	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, 2013

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:

	2013	%	2012	%
Cash and short-term	\$680,492	4	\$1,243,989	8
Bonds	7,309,459	40	6,562,334	42
Canadian equities	3,678,425	20	2,840,940	18
International equities	6,612,771	36	5,083,579	32
	\$18,281,147	100	\$15,730,842	100

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

	2013	2012
Total investment gain	\$2,841,668	\$1,473,034
Less management fees	(61,363)	(55,914)
Investment gain, net of management fees	2,780,305	1,417,120
Gain on externally restricted endowment funds added to endowment net assets (note 8)	(317,186)	(139,984)
Amount made available for spending on externally restricted endowments added to deferred contributions (note 7)	(36,489)	(34,148)
Total investment gain recognized as revenue	\$2,426,630	\$1,242,988

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

	2013	2012
Internally restricted endowment funds (note 8)	\$2,142,472	\$1,153,669
Other	284,158	89,319
Total investment gain recognized as revenue	\$2,426,630	\$1,242,988

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% on December 1, 2013. 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, 2013

5. CAPITAL ASSETS

Capital assets consist of the following:

	2013		
	Cost	Accumulated Amortization	Net book value
Tangible			
Leasehold improvements	\$55,016	\$21,853	\$33,163
Office equipment	189,703	114,144	75,559
Computer equipment	121,031	86,159	34,872
Intangible			
Internally developed software	626,886	104,027	522,859
	992,636	326,183	666,453

	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			
Internally developed software	115,586	80,910	34,676
	\$472,642	\$249,501	\$223,141

During the year ended December 31, 2013, capital assets with a cost and accumulated amortization of \$16,609 (2012 - \$2,341) were written off.

Intangible assets include internally developed software under development of \$511,300 on which no amortization has been charged.

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, 2013 - 4.75%). There were no drawings on the line of credit in 2013 or 2012.

YMCA Canada

Notes to the Financial Statements

December 31, 2013

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:

	2013	2012
Balance, beginning of year	\$ 673,222	\$ 457,380
Amount recorded during the year	1,974,628	1,844,706
Amount made available for spending on externally restricted endowments (note 8)	36,489	34,148
Government income recognized during the year	(325,207)	(540,812)
Government grants distributed to member Associations and other recipients	(1,586,772)	(1,122,200)
Balance, end of year	\$ 772,360	\$ 673,222

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:

	2013	2012
Externally restricted		
Income restricted	\$ 1,762,660	\$ 1,539,284
Income unrestricted	592,811	518,492
	2,355,471	2,057,776
Internally restricted by the Board of Directors	14,801,945	13,143,429
	\$17,157,416	\$15,201,205

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, 2013

In fiscal 2013, the investment gain on externally restricted endowment net assets was \$371,822 (2012 - \$191,114). Of this amount, \$54,636 (2012 - \$51,130) was made available for spending, representing 3.5% (2012 - 3.5%) of the average market value of externally restricted endowment net assets over the previous 16 quarters, with \$36,489 (2012 - \$34,148) (note 7) added to deferred contributions and \$18,147 (2012 - \$16,982) recorded as revenue in the statement of operations. The return in excess of 3.5% of \$317,186 (2012 - \$139,984) (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 2013, the amount of \$1,912,472 (2012 - \$962,909) transferred from unrestricted net assets to endowment net assets (note 10) represents the investment income earned on internally restricted endowment assets of \$2,142,472 (2012 - \$1,153,669) (note 3(b)) less the amount approved for spending of \$230,000 (2012 - \$190,760).

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>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Transfer in accordance with Board capital preservation policy (note 8)	\$1,912,472	\$962,909	—	—	\$(1,912,472)	\$(962,909)
Board approved transfer to reserves	—	(200,000)	—	\$ 200,000	—	—
Other Board approved transfers	(297,280)	61,268	\$121,830	(417,208)	175,450	355,940
	\$1,615,192	\$824,177	\$121,830	\$(217,208)	\$(1,737,022)	\$(606,969)

YMCA Canada

Notes to the Financial Statements

December 31, 2013

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:

2014	\$ 187,760
2015	190,971
2016	196,970
2017	205,757
2018	209,267
Thereafter	576,446
	<hr/>
	\$1,567,171

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, 2013, YMCA Properties had no assets or liabilities and had no revenue or expenses for the year 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.

YMCA Canada

Notes to the Financial Statements

December 31, 2013

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.

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. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from the statements previously presented to conform to the presentation of the 2013 financial statements.

