

YMCA Canada

Financial Statements
December 31, 2015



May 30, 2016

Independent Auditor's Report

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

We have audited the accompanying financial statements of The National Council of Young Men's Christian Associations of Canada (YMCA Canada), which comprise the balance sheet as at December 31, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 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.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of YMCA Canada as at December 31, 2015 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

YMCA Canada

Balance Sheet

As at December 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents (note 3)	150,790	643,467
Short-term investments (note 4(c))	1,000,000	-
Accounts receivable	485,852	170,186
Note receivable (note 5)	273,672	263,442
Prepaid expenses	69,012	57,821
	<u>1,979,326</u>	<u>1,134,916</u>
Investments (note 4(a))	20,270,119	20,326,398
Note receivable (note 5)	310,647	585,175
Capital assets (note 6)	63,117	93,478
Intangible assets (note 7)	1,627,718	1,034,212
Other long-term assets	<u>301,843</u>	<u>277,375</u>
	<u>24,552,770</u>	<u>23,451,554</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	768,309	1,208,902
Deferred contributions (note 8)	<u>1,046,547</u>	<u>777,543</u>
	1,814,856	1,986,445
Deferred lease inducement	<u>111,914</u>	<u>131,663</u>
	<u>1,926,770</u>	<u>2,118,108</u>
Net Assets		
Endowments (note 9)	15,187,653	15,724,308
Board restricted reserves (note 10)	5,508,588	4,178,223
Unrestricted	238,924	303,225
Investment in capital and intangible assets	<u>1,690,835</u>	<u>1,127,690</u>
	<u>22,626,000</u>	<u>21,333,446</u>
	<u>24,552,770</u>	<u>23,451,554</u>

Commitments (note 12)

Approved by the Board of Directors



Director



Director

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

YMCA Canada

Statement of Operations

For the year ended December 31, 2015

	2015	2014
	\$	\$
Revenue		
Allocations from YMCA Associations	9,105,910	8,554,259
Foundation grants	520,893	64,929
National meetings and conferences	450,157	340,072
Dividend income	919,737	758,297
Miscellaneous	357,853	168,798
Government and other grants	430,235	916,252
	<hr/>	<hr/>
	11,784,785	10,802,607
Expenses		
Salaries and employee benefits	3,637,996	3,159,273
Purchased services	1,481,091	1,914,393
Travel and meetings	1,173,124	1,170,541
YMCA Lead and other Association agreements	1,164,855	823,188
YMCA Resource Development Centre support	533,714	56,044
Communications	235,244	220,887
Uncollected association charges	306,117	20,077
World YMCA services	317,274	346,882
Rent and office	328,546	300,051
Affiliations, professional services and insurance	248,543	190,796
Amortization of capital and intangible assets	180,836	86,490
YMCA Resource Development Centre dues	1,508,728	1,416,240
Grants distributed	430,235	916,252
	<hr/>	<hr/>
	11,546,303	10,621,114
Excess of revenue over expenses before the following	238,482	181,493
Change in fair value of investments (note 4(b))	686,436	1,240,306
	<hr/>	<hr/>
Excess of revenue over expenses for the year	924,918	1,421,799
	<hr/>	<hr/>

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

YMCA Canada

Statement of Changes in Net Assets

For the year ended December 31, 2015

					2015	2014
	Endowments \$	Board restricted reserves \$	Unrestricted \$	Investment in capital and intangible assets \$	Total \$	Total \$
Balance - Beginning of year	15,724,308	4,178,223	303,225	1,127,690	21,333,446	19,563,574
Excess of revenue over expenses for the year	-	-	924,918	-	924,918	1,421,799
Investment gain on externally restricted endowments (note 4(b))	159,566	-	-	-	159,566	236,145
Endowment contributions	208,070	-	-	-	208,070	111,928
Interfund transfers (note 11)	(904,291)	1,330,365	(989,219)	563,145	-	-
Balance - End of year	15,187,653	5,508,588	238,924	1,690,835	22,626,000	21,333,446

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

YMCA Canada

Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	924,918	1,421,799
Add: Non-cash items		
Amortization of capital and intangible assets	180,836	86,490
Change in fair value of investments excluding management fees	(747,741)	(1,304,563)
	<u>358,013</u>	<u>203,726</u>
Net change in non-cash working capital balances related to operations	(767,450)	682,878
Net change in deferred contributions	181,022	(50,320)
Net change in deferred lease inducement	(19,749)	(19,750)
	<u>(248,164)</u>	<u>816,534</u>
Investing activities		
Purchase of capital assets	(24,223)	(13,148)
Purchase of intangible assets	(719,758)	(534,579)
Purchase of short-term investments	(1,000,000)	-
Net purchases of investments	(858,432)	(694,040)
Withdrawals from long-term investments	1,910,000	245,000
Proceeds from repayment of note receivable	264,298	256,891
Increase in other long-term assets	(24,468)	(24,600)
	<u>(452,583)</u>	<u>(764,476)</u>
Financing activities		
Endowment contributions	<u>208,070</u>	<u>111,928</u>
(Decrease) increase in cash and cash equivalents during the year	<u>(492,677)</u>	<u>163,986</u>
Cash and cash equivalents - Beginning of year	<u>643,467</u>	<u>479,481</u>
Cash and cash equivalents - End of year	<u>150,790</u>	<u>643,467</u>

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

YMCA Canada

Notes to Financial Statements

December 31, 2015

1 Nature of 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 43 YMCAs and 5 YMCA-YWCA member Associations. YMCA Canada is a community-based charity, which has provided vital services to Canadians for over 160 years so they can enjoy healthy and active lives. YMCA Canada fosters supportive and inclusive spaces where people feel a sense of belonging that helps them achieve greater health and well-being.

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. YMCA Canada receives revenue from member Associations under several circumstances, including federation membership allocations, fees for attending meetings and conferences. YMCA Canada may also reimburse member Associations for expenses incurred when conducting business on behalf of YMCA Canada, including travel and meetings, the work of the development network to support and strengthen member Associations and fulfilling obligations under Lead Association agreements.

2 Summary of significant accounting policies

The financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook - Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada (ASNPO) and includes the significant accounting policies set out below.

Fund accounting

These financial statements include the following funds:

- **Endowment** - Endowments consist of internally and externally restricted amounts where the endowment principal is to be maintained intact.
- **Board restricted reserves** - Board restricted reserves are comprised of amounts internally restricted by the board of directors for future use.
- **Unrestricted** - The unrestricted fund accounts for YMCA Canada's administrative activities. This fund reports unrestricted resources available for immediate purposes.
- **Investment in capital and intangible assets** - The investment in capital and intangible assets fund represents the net investment in YMCA Canada's capital and intangible assets as described in notes 6 and 7. Amounts required for the purchase of capital assets or representing donated capital assets are transferred from the unrestricted fund or board restricted reserves to the investment in capital and intangible assets fund.

YMCA Canada

Notes to Financial Statements

December 31, 2015

Revenue recognition

Allocations from Associations are recognized in the year to which the amounts relate or when costs are incurred. 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 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 received. 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.

The change in fair value of investments consists of realized and unrealized gains and losses less management fees, and is recorded in the statement of operations, except to the extent it relates to externally restricted endowment funds, in which case it is added to/deducted from endowed funds or deferred contributions 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.

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 and intangible assets

Purchased capital and intangible assets are stated at acquisition cost. Contributed capital and intangible 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:

Capital assets	
Leasehold improvements	over term of lease
Office equipment	5 years
Computer equipment	3 years
Intangible assets	
Internally developed software	5 years

YMCA Canada

Notes to Financial Statements

December 31, 2015

YMCA Canada reviews the carrying amount, amortization and useful lives of its long-lived assets regularly. If the long-lived asset no longer has any long-term service potential to the organization, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations.

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 member Associations have incurred expenses on the projects for which they were allocated.

Use of estimates

The financial statements of YMCA Canada have been prepared by management in accordance with ASNPO, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses for the reporting period. Actual results could differ from those estimates.

3 Cash and cash equivalents

Cash totalling \$53,629 (2014 - \$96,992) is restricted and will be transferred to YMCA member Associations for future use; a corresponding amount is included in accounts payable and accrued liabilities.

YMCA Canada

Notes to Financial Statements

December 31, 2015

4 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 those funds is as follows:

	2015		2014	
	\$	%	\$	%
Canadian equities	3,224,301	16	3,615,004	18
U.S. equities	3,225,238	16	3,200,266	16
International equities	3,515,088	17	3,242,177	16
Fixed income	10,305,492	51	10,268,951	50
	<u>20,270,119</u>	<u>100</u>	<u>20,326,398</u>	<u>100</u>

- b) The investment income, realized and unrealized, recorded in the statement of operations is calculated as follows:

	2015 \$	2014 \$
Investment income	1,915,026	2,354,509
Less: Management fees	<u>(61,305)</u>	<u>(64,257)</u>
	1,853,721	2,290,252
Gain on externally restricted endowment funds added to endowment net assets (note 9)	(159,566)	(236,145)
Amount made available for spending on externally restricted endowments added to deferred contributions (note 8)	<u>(87,982)</u>	<u>(55,504)</u>
	1,606,173	1,998,603
Less: Dividend income	<u>(919,737)</u>	<u>(758,297)</u>
Change in fair value of investments	<u>686,436</u>	<u>1,240,306</u>

The investment income recognized in the statement of operations is related to the following balances:

	2015 \$	2014 \$
Internally restricted endowment funds (note 9)	1,151,936	1,737,623
Other	<u>454,237</u>	<u>260,980</u>
	<u>1,606,173</u>	<u>1,998,603</u>

- c) The short-term investments include government investment certificates with a fixed interest rate of 1.1% which mature in May 2016.

YMCA Canada

Notes to Financial Statements

December 31, 2015

5 Note receivable

The note receivable from a member Association is repayable through blended monthly payments of principal and interest of \$24,294 with interest payable at 3.9% and a maturity date of January 1, 2018. The note is repayable at any time without penalty. The YMCA Geneva Park lands have been pledged as security.

6 Capital assets

Capital assets consist of the following:

			<u>2015</u>	<u>2014</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Leasehold improvements	55,016	32,856	22,160	27,662
Office equipment	193,642	179,945	13,697	42,789
Computer equipment	154,463	127,203	27,260	23,027
	<u>403,121</u>	<u>340,004</u>	<u>63,117</u>	<u>93,478</u>

7 Intangible assets

Intangible assets consist of the following:

			<u>2015</u>	<u>2014</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Internally developed software	<u>1,881,224</u>	<u>253,506</u>	<u>1,627,718</u>	<u>1,034,212</u>

Intangible assets include internally developed software under development of \$235,440 (2014 - \$975,879) on which no amortization has been charged. An intangible asset included in internally developed software under development as at December 31, 2014 was completed during the year and brought into use.

YMCA Canada

Notes to Financial Statements

December 31, 2015

8 Deferred contributions

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

	2015	2014
	\$	\$
Balance - Beginning of year	777,543	772,360
Amount received during the year, net	1,565,531	1,353,216
Amount made available for spending on externally restricted endowments (note 9)	87,982	55,504
Government income recognized during the year	-	(64,929)
Amount recognized in the year	(1,384,509)	(1,338,608)
	<u>1,046,547</u>	<u>777,543</u>

9 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 comprise the following:

	2015	2014
	\$	\$
Externally restricted		
Income earned		
Restricted	3,084,977	1,917,848
Unrestricted	863,135	797,628
	<u>3,948,112</u>	<u>2,715,476</u>
Internally restricted by the board of directors	11,239,541	13,008,832
	<u>15,187,653</u>	<u>15,724,308</u>

YMCA Canada has a capital preservation policy which has been approved by the Board of Directors. 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. The amount of income made available for spending is calculated as 3.5% (2014 - 3.5%) of the average fair value of externally restricted endowment net assets over the previous sixteen quarters for the current year. The investment income earned as preservation of capital is recorded as a direct increase in endowment net assets for externally restricted endowments, where external restrictions allow. 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 endowed net assets.

YMCA Canada

Notes to Financial Statements

December 31, 2015

In fiscal 2015, the investment income on externally restricted endowment net assets was \$275,465 (2014 - \$312,397). Of this amount, \$115,899 (2014 - \$76,252) was made available for spending, with \$87,982 (2014 - \$55,504) (note 8) added to deferred contributions, as the investment income is restricted by the donors as to how the monies are to be spent, and \$27,917 (2014 - \$20,748) recorded as revenue in the statement of operations as the investment income was unrestricted. The return in excess of 3.5% of \$159,566 (2014 - \$236,145) (note 4(b)) was recorded 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 2015, the amount of \$1,068,256 (2014 - \$1,492,623) transferred from unrestricted net assets to endowment net assets (note 11) represents the investment income earned on internally restricted endowment assets of \$1,151,936 (2014 - \$1,737,623) (note 4(b)) plus the investment income earned on Board restricted reserves of \$376,320 transferred to endowment net assets, less the amount approved for spending of \$460,000 (2014 - \$245,000).

10 Board restricted reserves

Board restricted reserves are comprised of amounts internally restricted by the Board of Directors for future use, as follows:

	2015	2014
	\$	\$
Stabilization reserve	1,700,000	1,700,000
Technology reserve	2,000,000	-
Strategic plan reserve	691,582	1,662,787
Reserves for future events and programs	1,117,006	815,436
	<u>5,508,588</u>	<u>4,178,223</u>

YMCA Canada

Notes to Financial Statements

December 31, 2015

11 Interfund transfers

Interfund transfers consist of the following:

	Endowments		Board restricted reserves		Unrestricted		Investment in capital and intangible assets	
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$
Investment income transfer in accordance with Board policy (note 9)	1,068,256	1,492,623	-	-	(1,068,256)	(1,492,623)	-	-
Transfer to technology reserve	(2,000,000)	-	2,000,000	-	-	-	-	-
Transfers to (from) reserves for strategic plan initiatives	-	-	(465,480)	(712,566)	465,480	712,566	-	-
Other transfers	27,453	37,796	(204,155)	(221,847)	(386,443)	(277,186)	563,145	461,237
	<u>(904,291)</u>	<u>1,530,419</u>	<u>1,330,365</u>	<u>(934,413)</u>	<u>(989,219)</u>	<u>(1,057,243)</u>	<u>563,145</u>	<u>461,237</u>

12 Lease commitment

YMCA Canada has entered into a lease commitment for office premises, which expires in August 2021. The future annual lease payments, including estimated property taxes and operating costs, are as follows:

	\$
2016	196,368
2017	205,137
2018	208,628
2019	212,224
2020	215,927
Thereafter	<u>146,495</u>
	<u>1,184,779</u>

13 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 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, 2015, YMCA Properties had no assets and liabilities and had no revenue and expenses for the year then ended.

YMCA Canada

Notes to Financial Statements

December 31, 2015

14 Pension plan

YMCA Canada contributed \$180,695 (2014 - \$146,886) to the Canadian YMCA Retirement Fund.

15 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. Management assessed exposure to foreign currency risk as not significant.

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. Management assessed exposure to credit risk as not significant.

Interest rate risk

YMCA Canada is exposed to interest rate risk with respect to its investments in a pooled fund that 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. The interest rate risk on investments is considered insignificant, as the majority of YMCA Canada's investments are held in units in pooled funds.

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 that holds equity securities. YMCA Canada manages its exposure to this risk by monitoring compliance with the investment policy approved by the Board.

16 Comparative financial statements

The comparative financial statements have been reclassified from the financial statements previously presented to conform to the presentation of the 2015 financial statements.