

YMCA of Greater Toronto

Financial Statements

March 31, 2014

(in thousands of dollars)



July 10, 2014

Independent Auditor's Report

To the Members of YMCA of Greater Toronto

We have audited the accompanying financial statements of YMCA of Greater Toronto, which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in fund balance 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of YMCA of Greater Toronto as at March 31, 2014 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 of Greater Toronto
Statement of Financial Position
As at March 31, 2014

(in thousands of dollars)

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 13,875 | 7,333 |
| Accounts receivable | 4,960 | 6,074 |
| Prepaid expenses | 820 | 966 |
| | <u>19,655</u> | <u>14,373</u> |
| Investments (note 3) | 15,463 | 13,583 |
| Capital assets (note 4) | <u>78,206</u> | <u>77,045</u> |
| | <u>113,324</u> | <u>105,001</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 18,561 | 14,005 |
| Deferred revenue (note 5) | 4,806 | 3,692 |
| Deferred annual giving campaign contributions | 266 | 537 |
| | <u>23,633</u> | <u>18,234</u> |
| Long-term liabilities | 35 | 244 |
| Capital lease obligation | 17 | 66 |
| Deferred capital contributions (note 7) | <u>26,728</u> | <u>28,124</u> |
| | <u>50,413</u> | <u>46,668</u> |
| Fund Balances | | |
| Unrestricted | (14,852) | (12,340) |
| Internally restricted | 10,928 | 8,323 |
| Invested in capital assets | 51,411 | 48,805 |
| Endowment | 15,424 | 13,545 |
| | <u>62,911</u> | <u>58,333</u> |
| | <u>113,324</u> | <u>105,001</u> |
| Commitments and contingencies (note 9) | | |

Approved by the Board of Directors

Diave Sinhuber

Director

T. H. Penner

Director

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

YMCA of Greater Toronto

Statement of Operations

For the year ended March 31, 2014

(in thousands of dollars)

| | | | | 2014 | 2013 |
|--|--------------------|-------------------------|--|----------------|----------------|
| | Unrestricted \$ | Endowment Fund \$ | Invested in capital assets \$ | Total \$ | Total \$ |
| Revenue | | | | | |
| Government | 76,332 | - | - | 76,332 | 74,125 |
| Program fees | 51,400 | - | - | 51,400 | 45,339 |
| Membership fees | 35,680 | - | - | 35,680 | 35,174 |
| Other | 5,515 | - | - | 5,515 | 5,109 |
| Contributions | 2,201 | - | - | 2,201 | 2,827 |
| United Way | 1,855 | - | - | 1,855 | 1,962 |
| Amortization of deferred capital contributions (note 7) | - | - | 2,470 | 2,470 | 2,612 |
| Investment income | 104 | 436 | - | 540 | 503 |
| | <u>173,087</u> | <u>436</u> | <u>2,470</u> | <u>175,993</u> | <u>167,651</u> |
| Expenses | | | | | |
| Salaries and benefits | 110,225 | - | - | 110,225 | 106,387 |
| Program costs | 41,104 | - | - | 41,104 | 38,497 |
| Occupancy costs | 18,554 | - | - | 18,554 | 17,228 |
| Allocation to YMCA Canada | 1,322 | - | - | 1,322 | 1,238 |
| Amortization of capital assets | - | - | 10,187 | 10,187 | 9,858 |
| Management fees | - | 50 | - | 50 | 44 |
| | <u>171,205</u> | <u>50</u> | <u>10,187</u> | <u>181,442</u> | <u>173,252</u> |
| Excess (deficiency) of revenue over expenses before below-noted items | 1,882 | 386 | (7,717) | (5,449) | (5,601) |
| Fair value changes in investments | 5 | 1,997 | - | 2,002 | 495 |
| Gain on sale of capital assets (note 4) | 7,905 | - | - | 7,905 | - |
| Excess (deficiency) of revenue over expenses for the year | <u>9,792</u> | <u>2,383</u> | <u>(7,717)</u> | <u>4,458</u> | <u>(5,106)</u> |

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

YMCA of Greater Toronto
Statement of Changes in Fund Balance
For the year ended March 31, 2014

(in thousands of dollars)

| | | | | | 2014 | 2013 |
|---|---------------------|-------------------|------------------|----------------------------|---------------|---------------|
| | Unrestricted | Internally | Endowment | Invested | Total | Total |
| | \$ | \$ | \$ | in capital assets \$ | \$ | \$ |
| Fund balance - Beginning of year | (12,340) | 8,323 | 13,545 | 48,805 | 58,333 | 63,365 |
| Excess (deficiency) of revenue over expenses for the year | 9,792 | - | 2,383 | (7,717) | 4,458 | (5,106) |
| Net change in investment in capital assets | (10,323) | - | - | 10,323 | - | - |
| Interfund transfers | (1,981) | 2,605 | (624) | - | - | - |
| Endowment contributions | - | - | 120 | - | 120 | 74 |
| Fund balance - End of year | (14,852) | 10,928 | 15,424 | 51,411 | 62,911 | 58,333 |

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

YMCA of Greater Toronto

Statement of Cash Flows

For the year ended March 31, 2014

(in thousands of dollars)

| | 2014 \$ | 2013 \$ |
|---|----------------|----------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess (deficiency) of revenue over expenses for the year | 4,458 | (5,106) |
| Items not affecting cash | | |
| Amortization of deferred capital contributions | (2,470) | (2,612) |
| Amortization of capital assets | 10,187 | 9,858 |
| Gain on sale of capital assets | (7,905) | - |
| Fair value changes in investments | (2,002) | (495) |
| Net change in non-cash working capital items | | |
| Accounts receivable | 1,114 | 813 |
| Prepaid expenses | 146 | (188) |
| Accounts payable and accrued liabilities | 4,556 | 69 |
| Deferred revenue | 1,114 | (1,129) |
| Deferred annual giving campaign contributions | (271) | 214 |
| | <u>8,927</u> | <u>1,424</u> |
| Financing activities | | |
| Deferred capital contributions received | 1,074 | 1,469 |
| Endowment contributions received | 120 | 74 |
| (Repayment) proceeds of long-term liabilities | (209) | 10 |
| Payment of capital lease obligation | (49) | (50) |
| | <u>936</u> | <u>1,503</u> |
| Investing activities | | |
| Purchase of capital assets | (11,348) | (4,230) |
| Proceeds on disposal of capital assets | 7,905 | - |
| Contributions to investments - net | 122 | (240) |
| | <u>(3,321)</u> | <u>(4,470)</u> |
| Increase (decrease) in cash and cash equivalents during the year | 6,542 | (1,543) |
| Cash and cash equivalents - Beginning of year | <u>7,333</u> | <u>8,876</u> |
| Cash and cash equivalents - End of year | <u>13,875</u> | <u>7,333</u> |

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

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

1 Nature of operations

The mission and vision statements of the YMCA of Greater Toronto (the Association) are:

- **Mission**

The YMCA of Greater Toronto is a charity offering opportunities for personal growth, community involvement and leadership.

- **Vision**

The YMCA of Greater Toronto will focus on making our communities home to the healthiest children, teens and young adults.

The Association was incorporated by a Special Act of the Legislature of Ontario on March 4, 1868. The Association is a registered charity under the Income Tax Act (Canada) (the Act) and accordingly is exempt from income taxes, provided certain requirements of the Act are met.

The financial statements of the Association have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

2 Summary of significant accounting policies

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expenses related to the acquired capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as direct increases in net assets.

Annual giving pledges are recognized when cash is received. The Association runs an annual giving campaign to raise money for operations. Some of the contributions that are for programs that will occur in the subsequent fiscal year are recorded as deferred annual giving campaign contributions.

Capital campaign pledges are recognized as deferred capital contributions when cash is received.

Endowment contributions are recognized as a direct increase to the Endowment Fund in the year in which the contribution is received.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Investments and investment income

Investments are accounted for at their fair values, which are determined as follows:

- a) Fixed income investments are determined based on quoted market values and equities are determined based on closing bid prices.
- b) Investments in pooled funds are valued at their net asset values.

Investment income for these funds includes dividends and interest. Transaction costs and investment management fees associated with the acquisition and disposal of the investments are expensed as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of change in value and have a short maturity term of less than 120 days.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

| | |
|----------------------------------|-------------------------------|
| Buildings | period not exceeding 25 years |
| Office furnishings and equipment | period not exceeding 5 years |
| Computers | period not exceeding 3 years |
| Leasehold improvements | over the term of the lease |

Construction-in-progress comprises direct construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for use.

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed over the term of the lease. Assets recorded under capital leases are amortized in accordance with the Association's amortization policies.

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

Pension plan

The Association is part of a multi-employer defined contribution plan and accounts for it as a defined contribution plan.

Endowment Fund

The Endowment Fund was established to record bequests received by and in memoriam funds set up for the Association. As well, other contributions may be classified as Endowment Fund on being internally restricted at the discretion of the board of directors.

The annual appropriation to the unrestricted net assets, which is shown as an interfund transfer, is calculated as an amount not to exceed the net change in fair values at the beginning and end of the year, adjusted for any increases in capital, disbursements, management fees and annual average consumer price index.

Capital campaign pledges

The Association records pledges when received. Capital campaign pledges committed for future years are \$4,333 (2013 - \$3,115).

Contributed services

A number of volunteers contribute their services to the Association each year. Due to the difficulty of determining the fair value, these contributed services are not recognized or disclosed in the financial statements.

Financial assets and liabilities

The Association initially records cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities at fair value, and subsequently at amortized cost.

The Association records investments at fair value on the statement of financial position, with changes in fair value recorded in the statement of operations.

Financial assets, other than those measured at fair value, are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements and the revenue and expenses during the reporting period. Actual results could differ from those estimates.

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

3 Investments

The investments represent the Endowment Fund and are summarized as follows:

| | 2014 \$ | 2013 \$ |
|-------------------------------|---------------|---------------|
| Units in pooled private funds | 15,375 | 13,494 |
| Bonds | 88 | 89 |
| | <u>15,463</u> | <u>13,583</u> |

Bonds have a yield to maturity of 9.119% to 10.000% with maturity dates ranging from May 2021 to April 2028.

4 Capital assets

| | 2014 | | 2013 | |
|-------------------------------------|----------------|-----------------------------------|---------------|---------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ | Net \$ |
| Land | 17,321 | - | 17,321 | 14,134 |
| Buildings | 180,398 | 130,426 | 49,972 | 54,154 |
| Office furnishings and equipment | 43,858 | 40,733 | 3,125 | 3,902 |
| Computers | 8,632 | 7,966 | 666 | 954 |
| Leasehold improvements | 13,896 | 12,097 | 1,799 | 2,256 |
| Construction-in-progress | 5,323 | - | 5,323 | 1,645 |
| | <u>269,428</u> | <u>191,222</u> | <u>78,206</u> | <u>77,045</u> |

During fiscal 2011, the disposal of land and building by the Association resulted in a gain of \$12,983 after taking into account deferred capital contributions relating to the disposed assets of \$3,588. Of this gain, \$6,720 was recognized in fiscal 2011 and \$6,263 was recognized in fiscal 2012 due to a sale leaseback transaction. As part of the purchase and sale agreement, the purchase price would be increased by \$7,905 if the property could be re-zoned to permit a high-rise residential condominium. Approval for the re-zoning occurred during the year and the purchaser paid an additional purchase price of \$7,905.

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

5 Deferred revenue

| | 2014 \$ | 2013 \$ |
|--------------------------|--------------|--------------|
| Membership fees | 1,785 | 1,619 |
| Resident camp fees | 892 | 804 |
| Day camp fees | 652 | 340 |
| Government contract fees | 1,080 | 712 |
| Child care fees | 99 | 106 |
| Other | 298 | 111 |
| | <u>4,806</u> | <u>3,692</u> |

6 Bank facility

The Association has a line of credit with TD Canada Trust of up to \$20,000. As at March 31, 2014, the balance of this line of credit was \$nil (2013 - \$2,620). A general security agreement is in place as security thereon.

The Association has issued letters of credit in the normal course of business totalling \$542 (2013 - \$557).

7 Deferred capital contributions

Deferred capital contributions represent the unamortized amount of donations and grants received for the purchase of capital assets. These contributions are amortized into revenue and recorded in the statement of operations at a rate corresponding to the amortization rate of the related capital assets.

| | 2014 | | 2013 | |
|--|-----------------------------|---------------------------|---------------|---------------|
| | Government capital \$ | Capital campaign \$ | Total \$ | Total \$ |
| Balance - Beginning of year | 7,833 | 20,291 | 28,124 | 29,267 |
| Contributions received during the year | 365 | 709 | 1,074 | 1,469 |
| Amounts amortized to revenue | (1,059) | (1,411) | (2,470) | (2,612) |
| Balance - End of year | <u>7,139</u> | <u>19,589</u> | <u>26,728</u> | <u>28,124</u> |

8 Pension plan

The Association contributed \$3,356 (2013 - \$3,161) to the Canadian YMCA Retirement Fund, a multi-employer defined contribution plan.

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

9 Commitments and contingencies

Commitments

Minimum future rental commitments for operating leases, excluding operating costs, are as follows:

| | \$ |
|------------|---------------|
| 2015 | 2,856 |
| 2016 | 2,037 |
| 2017 | 1,868 |
| 2018 | 1,750 |
| 2019 | 1,348 |
| Thereafter | <u>542</u> |
| | <u>10,401</u> |

In fiscal 2014, the Association entered into a contract to purchase land and building for \$10 million plus applicable taxes by April 26, 2016. The building will be converted subsequently for use as a YMCA Centre of Community.

In fiscal 2014, the Association entered into a contract with a private developer to sell the air rights on property that will include purchasing additional land from the developer to increase the occupied area. The developer will demolish an existing building and construct a condominium building and is anticipated to be completed by March 31, 2017, which will include two floors allocated to the Association. The net cost to the Association will be approximately \$8.6 million. The Association will bear the cost of outfitting its occupied space.

In fiscal 2014, the Association entered into a stipulated price contract to renovate an existing building for the purposes of an emergency shelter as well as providing supportive programs and services for at-risk youth. The value of the contract is \$3.559 million plus applicable taxes. The renovation is expected to be substantially completed by October 2014.

Contingencies

In the normal course of operations, various claims are brought against the Association. The Association contests the validity of these claims as appropriate and management believes any settlement amounts required will not have a material effect on the financial position of the Association.

10 Financial assistance

As part of its charitable mission, the Association provides financial assistance in the form of reduced fees to individuals who qualify for subsidized child care and health, fitness and recreation memberships. In fiscal 2014, the total assistance provided was \$6,312 (2013 - \$6,414).

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

11 Specific programs

The following notes outline details of funding and expenses as required by certain funders.

Childcare centre programs in the Regional Municipality of Peel

The Association administers childcare centre programs in the Regional Municipality of Peel. The following subsidy grants from the Regional Municipality of Peel are included in the total government revenue and total program fees as presented in the statement of operations:

| | |
|--------------------|--------------|
| | \$ |
| Government revenue | |
| Wage subsidy | 888 |
| Child subsidy | 6,033 |
| | <u>6,921</u> |

Summer Jobs for Youth, Youth Outreach Worker, After School Jobs for Youth and Youth in Transition Worker Programs

The Summer Jobs for Youth, Youth Outreach Worker, After School Jobs for Youth and Youth in Transition Worker Programs are programs administered by the Association and funded by the Ministry of Children and Youth Services. The following grants and expenses are included in total government revenue and total program fees as presented in the statement of operations:

| | Summer Jobs for Youth \$ | Youth Outreach Worker \$ | After School Jobs for Youth \$ | Youth in Transition Worker \$ |
|--------------------|-----------------------------------|-----------------------------------|---|--|
| Government revenue | | | | |
| Grant | 728 | 122 | 294 | 2 |
| Program | | | | |
| Expenses | 728 | 122 | 294 | 2 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

12 Government remittances

Government remittances consist of property taxes, workplace safety insurance, sales taxes and payroll withholding taxes required to be paid to government authorities, and are recognized when the amounts come due. With respect to government remittances, \$387 (2013 - \$289) is included in accounts payable and accrued liabilities.

YMCA of Greater Toronto

Notes to Financial Statements

March 31, 2014

(in thousands of dollars)

13 Risks arising from financial instruments

The main risks to which the Association's financial instruments are exposed are credit risk, interest rate risk and market risk.

Credit risk

Credit risk is the risk one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of accounts receivable.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Association is exposed to interest rate risk on its bank indebtedness. The interest rate risk on investments is considered insignificant, as the majority of the Association's investments are held in units in a pooled private balanced fund.

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. The Association's investments are susceptible to market risk. The Association manages its market risk by monitoring the performance of the individual investments and compliance of the investment managers with the Association's investment policy.

14 Comparative figures

Certain prior fiscal year figures have been reclassified to conform to the current fiscal year's financial statement presentation.

