Grant Thornton

Financial Statements

YMCA of Greater Halifax/Dartmouth

December 31, 2019

Contents

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Independent auditor's report

To the officers and members of The YMCA of Greater Halifax/Dartmouth

Opinion

We have audited the financial statements of The YMCA of Greater Halifax/Dartmouth (the "YMCA"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of YMCA as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Halifax, Canada
March 31, 2020

Chartered Professional Accountants

YMCA of Greater Halifax/Dartmouth
Statement of financial position

December 31		**2019**		2018
Assets				
Current				
Cash and cash equivalents	**$**	**5,018,481**	$	4,336,999
Receivables (note 3)		**1,070,426**		1,365,413
Investments		**6,539**		98,461
Prepaid expenses		**26,545**		25,022
		6,121,991		5,825,895
Capital assets (note 4)		**25,530,500**		16,128,268
Intangible assets (note 5)		**-**		564,553
	$	**31,652,491**	$	22,518,716
Liabilities				
Current				
Payables and accruals (note 7)	**$**	**4,396,648**	$	2,437,382
Deferred revenue		**180,008**		88,814
Current portion of long term debt (note 8)		**604,360**		68,797
Deferred contributions for expenses of future periods (note 9)		**2,131,598**		3,308,404
		7,312,614		5,903,397
Long term debt (note 8)		**7,811,184**		3,548,547
Deferred capital contributions (note 9)		**15,901,527**		12,549,181
		31,025,325		22,001,125
Net assets				
Internally restricted		**282,996**		181,317
Unrestricted		**344,170**		336,274
		627,166		517,591
	$	**31,652,491**	$	22,518,716

Commitments (note 13)
Subsequent events (note 16)

On behalf of the Board

Sonya Fraser

_____________________________Director _____________________________Director

YMCA of Greater Halifax/Dartmouth
Statement of operations

Year ended December 31	2019	2018
Revenues		
Government grants and contributions	**$ 9,573,393**	$ 8,465,823
Membership and programs	**2,683,050**	2,197,335
Other grants	**463,567**	637,939
	12,720,010	11,301,097
Expenses		
Association dues and fees	**169,946**	150,896
Bank charges and interest	**72,709**	77,109
Insurance	**57,154**	55,735
Occupancy and utilities	**926,009**	907,719
Office supplies and postage	**326,102**	252,857
Professional development and staff training	**132,783**	156,212
Professional dues and fees	**336,016**	274,552
Program supplies	**1,648,198**	1,060,524
Repairs and maintenance	**562,497**	506,454
Salaries and wages	**7,681,146**	7,415,604
Telephone	**127,927**	123,827
Travel	**338,184**	288,998
	12,378,671	11,270,487
Other income (expenses)		
Impairment (note 6)	**(264,627)**	-
Investment income (note 11)	**100,428**	56,819
Amortization of deferred capital contributions	**592,571**	394,108
Amortization of capital assets	**(160,419)**	(106,354)
Amortization of intangible assets	**(499,717)**	(298,497)
	(231,764)	46,076
Excess of revenue over expenses	**$ 109,575**	$ 76,686

YMCA of Greater Halifax/Dartmouth
Statement of changes in net assets
Year ended December 31

	Internally restricted	Unrestricted	**2019 Total**	2018 Total
Balance, beginning of year	$ 181,317	$ 336,274	**$ 517,591**	$ 440,905
Excess of revenues over expenses	-	109,575	**109,575**	76,686
Transfers (note 10)	101,679	(101,679)	**-**	-
Balance, end of year	$ 282,996	$ 344,170	**$ 627,166**	$ 517,591

See accompanying notes to the financial statements.

YMCA of Greater Halifax/Dartmouth
Statement of cash flows

Year ended December 31		2019		2018
Increase (decrease) in cash and cash equivalents				
Cash flows from operating activities				
Excess of revenue over expenses	$	**109,575**	$	76,686
Items not involving cash:				
Amortization of capital assets		**160,419**		106,354
Amortization of deferred capital contributions		**(592,571)**		(394,108)
Amortization of intangible assets		**499,717**		298,497
Impairment		**264,627**		-
		441,767		87,429
Change in non-cash operating working capital (note 12)		**2,343,924**		599,643
Net change in deferred contributions related to expenses of future periods		**(1,176,806)**		913,523
		1,608,885		1,600,595
Cash flows from investing activities				
Acquisition of capital assets acquired, net		**(9,602,307)**		(9,425,571)
Acquisition of intangible assets acquired		**(160,135)**		(239,792)
Sale (purchase) of investments		**91,922**		(98,461)
		(9,670,520)		(9,763,824)
Cash flows from financing activities				
Principal payments on long term debt		**(68,307)**		(77,771)
Loan advances		**4,866,507**		3,517,452
Deferred capital contributions received		**3,944,917**		6,528,671
		8,743,117		9,968,352
Net increase in cash and cash equivalents		**681,482**		1,805,123
Cash and cash equivalents				
Beginning of year		**4,336,999**		2,531,876
End of year	$	**5,018,481**	$	4,336,999

1. Nature and continuance of operations

The YMCA of Greater Halifax/Dartmouth (the "Association") is incorporated as an association without share capital under the laws of Nova Scotia. The Association is a charity dedicated to the growth of all persons in spirit, mind and body and to their sense of responsibility to each other and the global community. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Summary of significant accounting policies

These financial statements have been prepared by management on the basis of accounting principles applicable to a going concern, which assume that the Association will continue to operate in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Basis of accounting
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CPA Handbook.

Fund accounting
The financial statements include the following funds:

Internally restricted fund
The internally restricted fund represents funds internally restricted by the Board of Directors for capital reinvestment for Big Cove Camp in the amount of $118,143. The amount of funding available for capital investment in each year is approved by the Big Cove Advisory Committee and requires the explicit approval of the Board. This fund also accumulates a share of the earnings from Big Cove Camp operations annually. This fund also holds internally restricted funds from the Maculloch Estate $90,031 and Mingo Developments $74,822.

Unrestricted fund
The unrestricted fund accounts for the Association's excess of revenue and expenses from program delivery, development and Association services.

Revenue recognition
The Association follows the deferral method of accounting for contributions, which include donations, grants and bequests.

Revenue from government grants and contributions and other grants includes revenue from federal, provincial, municipal sources and others, and is recorded in the period in which they are earned. Unearned amounts are recorded as deferred contributions for expenses of future periods.

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.

2. Summary of significant accounting policies (continued)

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Membership and program revenues are recorded in the period in which they are earned. Unearned amounts are recorded as deferred revenue.

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

Pledges and bequests
Revenue from annual campaign and in-memoriam donations are recognized on a cash basis, with no accrual being made for amounts pledged but not received.

The Association is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not at present readily determinable. The Association records such bequests when the proceeds are received.

Contributed services
A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and amounts on deposit with financial institutions.

Capital assets
Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Association's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	25 years
Leasehold improvements	5 years
Furniture and equipment	5-10 years
Computer and software systems	5 years

No amortization has been recorded on the new YMCA Centre of Community which has been recorded as capital assets under construction in note 4. Amortization will commence when the project is completed and is put into service.

2. Summary of significant accounting policies (continued)

Intangible assets
Costs directly related to the development and operation of the capital campaign to raise funds for the new YMCA Centre of Community are presented as intangible assets as the Association had determined that there is a future economic benefit associated with these costs. These costs have been amortized to earnings over the campaign period based on the campaign funds raised.

Costs related to the technology project are recorded at cost and amortized over the estimated useful life of the assets. During 2019, the Association discontinued the development of the current technology project, resulting in a write down of the full amount as disclosed in note 6.

Financial instruments
Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral.

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

a) The Association’s financial instruments consist of cash and cash equivalents, receivables, investments, payables and accruals, and long term debt. The carrying values of receivables and payables and accruals approximate fair values due to their short term nature. The Association records its investments at fair values. These financial instruments are placed in interest-bearing accounts and instruments insured by a Canadian chartered bank, or in highly liquid investments that are readily convertible into cash

   The Association did not enter into any derivative financial arrangements.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

b) Risk management related to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Financial instruments are primarily exposed to interest rate volatility, credit and liquidity risk.

i) Interest rate risk
Interest rate risk refers to the impact of future changes in interest rates on cash flows and fair value of assets and liabilities. The Association holds variable rate debt which gives rise to exposure from changes in interest rates applied to future cash flows.

ii) Credit risk
Financial instruments which potentially subject the Association to credit risk consist primarily of cash and cash equivalents and receivables. The Association limits the amount of credit exposure with its cash and cash equivalents balances by only maintaining holdings with major Canadian financial institutions. Receivables are managed by closely monitoring outstanding balances and ensuring that any late payments or deviations are investigated.

iii) Liquidity risk
Liquidity risk is the risk of not being able to meet the Association's cash requirements in a timely and cost effective manner. Liquidity requirements are managed through the receipt of funds from the Association's various revenue sources. These sources of funds are used to pay operating expenses, purchase capital assets and meet debt service requirements. In the normal course of business, the Association enters into contracts that give rise to commitments for future payments which may also impact the Associations' liquidity.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts and amortization periods selected for capital assets. Actual results could differ from those estimates.

3. Receivables

	2019	2018
Government grants and contributions	**$ 1,017,186**	$ 1,278,466
Trade receivables	**53,240**	97,947
Allowance for doubtful accounts	**-**	(11,000)
	$ 1,070,426	$ 1,365,413

4. Capital assets

	Cost	Accumulated Amortization	**2019 Net Book Value**	2018 Net Book value
Land	$ 163,454	$ -	**$ 163,454**	$ 163,454
Buildings	3,653,274	2,700,471	**952,803**	915,929
Leasehold improvements	112,577	98,562	**14,015**	16,297
Furniture and equipment	427,862	394,582	**33,280**	124,008
Computer and software Systems (note 6)	-	-	**-**	61,264
Capital assets under construction	24,366,948	-	**24,366,948**	14,847,316
	$ 28,724,115	$ 3,193,615	**$ 25,530,500**	$ 16,128,268

(i) Land, buildings, furniture and equipment include $724,020 (2018 - $595,009) relating to Big Cove Camp. These assets are subject to covenants under an agreement with the Segelberg Trust whereby any change in the use of the Camp must be agreed to by both parties. In addition, in the event of a change of use or sale of the Camp, the Association must pay the Segelberg Trust an amount defined in the agreement.

5. Intangible assets

	Cost	Accumulated Amortization	**2019 Net Book Value**	2018 Net Book value
Capital Campaign	$ 1,475,187	$ (1,475,187)	**$ -**	$ 366,245
Technology project (note 6)	-	-	**-**	198,308
	$ 1,475,187	$ (1,475,187)	**$ -**	$ 564,553

6. Impairment

During the year, the Association ceased involvement with the YMCA Canada's technology project, resulting in a write down within computer and software systems capital assets and technology project intangible asset in the amounts of $39,296 and $225,331, respectively. The total amount of $264,627 has been recorded as impairment expense in the current year.

7. Payables and accruals

Included in payables and accruals are government remittances payable of $669 (2018 - $102,340), which includes amounts payables for payroll related taxes.

8. **Long term debt**		**2019**		2018
Due to YMCA Canada, non-interest bearing, repayable in blended monthly instalments of $360, unsecured, due May 2021.	**$**	**6,120**	$	10,438
Due to YMCA Canada, non-interest bearing, repayable in monthly principal instalments of $600, unsecured, due December 2027.		**57,600**		64,343
Due to YMCA Canada, non-interest bearing, repayable in monthly principal instalments of $1,794 per month, unsecured, due September 2021.		**37,674**		59,202
Due to YMCA Canada, non-interest bearing, repayable in monthly principal instalments of $1,147 per month, unsecured, due September 2021.		**24,079**		37,843
Due to YMCA Canada, non-interest bearing, repayable in monthly principal instalments of $3,517 per month to May 2019 and $629 thereafter, unsecured, due September 2021.		**13,217**		35,171
Due to RBC revolving term facility with a maximum availability of $12,500,000. Interest bearing at the bank's prime rate plus 1.5% as at December 31, 2019 balance of this credit facility.		**8,276,854**		3,410,347
		8,415,544		3,617,344
Less: current portion of long-term debt		**604,360**		68,797
	$	**7,811,184**	$	3,548,547

Principal amounts repayable on the long term debt within each of the next five years are as follows:

2020	$	604,360
2021		1,139,861
2022		1,471,215
2023		337,280
2024		375,770

The Company has additional credit facilities due to RBC for Equipment and Other bearing interest at the bank's prime rate plus 1.5% in the amounts of $500,000 and $115,000, respectively. As at December 31, 2019 no amounts have been drawn on these facilities.

9. Deferred contributions

Expenses of future periods

Deferred contributions for expenses of future periods are externally restricted funds received, which have not yet been spent.

	2019	2018
Balance, beginning of year	**$ 3,308,404**	$ 2,394,881
Add: amounts received	**9,063,182**	9,609,636
Less: amount recognized as revenue in the year	**(10,239,988)**	(8,696,113)
	$ 2,131,598	$ 3,308,404

Capital assets

Deferred capital contributions represent the unamortized amount of externally restricted grants and donations received for the purchase of capital assets.

The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2019	2018
Balance, beginning of year	**$ 12,549,181**	$ 6,414,618
Add: contributions for capital assets deferred during the year	**3,944,917**	6,528,671
Less: amortization of deferred capital contributions	**(592,571)**	(394,108)
	$ 15,901,527	$ 12,549,181

10. Inter fund transfers

During 2019, total net transfers in the amount of $101,679 (2018 - $67,831) were made from the unrestricted net assets to internally restricted net assets. Of the amount, $57,482 (2018 - $33,043) was in accordance with the terms of a pre-determined funding formula sharing 75 percent of net contribution on annual revenues and expenditures in the amount of $709,076 and $632,433, respectively regarding Big Cove Development fund, designated for Big Cove Camp use. The remaining $44,197 relates to deposits made to the fund in excess of approved capital expenditures.

11. Investment income

During 2019, the investment income included income allocations from the A. Murray MacKay estate, received from the perpetual trust in the amount of $29,451 (2018 - $29,292). These monies were used for capital purposes in accordance with the terms of the will. The Association also earned interest on accumulating cash balances in both operating and savings bank accounts in 2019 in the amount of $70,977 (2018 - $27,762) and recognized a loss on the sale of shares of $nil (2018 – $2,023).

11. Investment income (continued)

	2019	2018
Investment from trust	**$ 29,451**	$ 29,292
Interest income from savings	**70,977**	29,550
Loss on sale of shares	**-**	(2,023)
	$ 100,428	$ 56,819

In 1984, the Association became entitled to a one-half interest in the residue of the Estate of A. Murray MacKay. Under the terms of the will, the investments are to be held in a perpetual trust with an income allocation therefore being paid to the beneficiaries on a monthly basis.

12. Supplemental cash flow information

	2019	2018
Change in non-cash operating working capital		
Receivables	**$ 294,987**	$ (1,123,431)
Prepaid expenses	**(1,523)**	(294)
Payables and accruals	**1,959,266**	1,699,236
Deferred revenue	**91,194**	24,132
	$ 2,343,924	$ 599,643

13. Commitments

The Association is party to operating leases and is committed to annual lease payments for leased premises. Payments for the next 5 years are as follows:

2020	$ 527,898
2021	503,193
2022	442,038
2023	351,500
2024	323,594

14. Related party transactions

The Association purchases services from YMCA Canada and other YMCA associations. These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

14. Related party transactions (continued)

		2019		2018
YMCA Canada				
Association fees	**$**	**161,383**	$	145,810
YMCA Canada East MRC				
Shared projects		**81,762**		60,679
Other YMCA associations				
Rent, training and consulting fees		**50,744**		5,700

Included in receivables is $25,811 (2018 - $12,575) owing from other YMCA associations.

During the year, the Association paid $56,925 (2018 - $66,251) to the YMCA Canada in relation to the technology project which was subsequently written off as described in note 6.

Included in long term debt is $74,970 (2018 - $132,216) owing to YMCA Canada.

15. Employee pension plan

Employees of the Association participate in the Canadian YMCA Retirement Fund (the "Fund") a contributory defined contribution pension plan which provides pension benefits to employees. Contributions to the Fund are required by both the eligible employees and the employer. Total employer contributions for 2019 were $239,182 (2018 - $237,227) and are recognized as an expense in the year. The Association is not responsible for any under-funded liability, nor does the Association have any access to any surplus that may arise in this Fund.

16. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The YMCA has been mandated to close Licensed Child Care and After School Programs until at least April 3, 2020. The completion date of the new YMCA Centre of Community may also be impacted.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the YMCA in future periods.

17. Comparative figures

Certain comparative figures have been adjusted from those previously presented to conform to the presentation of the 2019 financial statements.