The YMCA of Hamilton/Burlington/Brantford

Financial Statements

For the year ended December 31, 2013

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Contents

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Independent Auditor's Report

To the Members of
The YMCA of Hamilton/Burlington/Brantford

We have audited the accompanying financial statements of The YMCA of Hamilton/Burlington/Brantford (the "YMCA"), which comprise the statement of financial position as at December 31, 2013, and the statements of changes in net assets, operations 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.

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 YMCA'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 YMCA'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 The YMCA of Hamilton/Burlington/Brantford 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.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Burlington, Ontario
May 27, 2014

The YMCA of Hamilton/Burlington/Brantford
Statement of Financial Position

December 31	2013	2012
Assets		
Current		
Cash	$ 1,355,995	$ 1,480,851
Short-term investments (Note 2)	3,369,042	3,517,519
Accounts receivable	687,005	743,569
Inventories and prepaid expenses	523,239	486,028
	5,935,281	6,227,967
Capital campaign pledges receivable	939,167	738,899
Restricted cash (Note 3)	9,394,096	9,228,685
Investments (Note 4)	4,175,516	3,623,809
Capital assets (Note 5)	37,954,181	38,346,635
	$ 58,398,241	$ 58,165,995
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 2,526,952	$ 2,716,366
Bank loans (Note 6)	-	1,546,146
Deferred revenue	1,510,268	1,493,444
Current portion of capital lease obligations (Note 7)	216,020	60,349
Net unexpended special program funds (Note 8)	170,008	404,801
	4,423,248	6,221,106
Capital lease obligations (Note 7)	301,998	31,684
	4,725,246	6,252,790
Deferred capital contributions (Note 9)	33,299,593	33,362,109
Net assets		
Invested in capital assets (Note 10)	14,701,505	15,008,716
Invested in endowment (Note 11)	3,499,240	3,109,870
Internally restricted (Note 12)	2,804,655	3,741,429
Unrestricted	(631,998)	(3,308,919)
	20,373,402	18,551,096
	$ 58,398,241	$ 58,165,995

On behalf of the Board:

_______________ Director _______________ Director

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

The YMCA of Hamilton/Burlington/Brantford
Statement of Changes in Net Assets

For the year ended December 31

	Invested in Capital Assets	Invested in Endowment	Internally Restricted	Unrestricted	Total 2013	Total 2012
Balance, beginning of year	$ 15,008,716	$ 3,109,870	$ 3,741,429	$ (3,308,919)	$ 18,551,096	$ 17,105,859
Excess (deficiency) of revenue over expenses	(1,404,730)	-	-	3,227,036	1,822,306	1,445,237
Investment in capital assets	1,097,519	-	(1,576,492)	478,973	-	-
Transfers (Note 11 & 12)	-	389,370	639,718	(1,029,088)	-	-
Balance, end of year	$ 14,701,505	$ 3,499,240	$ 2,804,655	$ (631,998)	$ 20,373,402	$ 18,551,096

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

The YMCA of Hamilton/Burlington/Brantford
Statement of Operations

For the year ended December 31	2013	2012
Revenue		
Child care fees	**$ 16,605,387**	$ 15,455,658
Membership revenue	**9,390,132**	8,960,461
Program fees	**3,767,703**	3,813,070
Purchase of service	**10,122,786**	9,727,256
Residence	**823,716**	813,150
United Way	**345,893**	344,356
Merchandise sales	**131,183**	122,623
Strong Kids Annual Giving Program	**953,805**	1,037,705
Contract services	**162,737**	-
Space rentals	**180,496**	188,700
Interest and dividend income	**276,528**	204,462
Donations	**157,649**	26,079
Miscellaneous revenues	**27,113**	63,081
Investment gains	**470,387**	238,220
	43,415,515	40,994,821
Expenses		
Salaries	**24,450,315**	23,331,664
Benefits	**3,741,374**	3,462,164
Program services	**5,304,616**	4,977,495
Facility costs	**4,764,710**	4,660,854
Administration	**1,503,316**	1,645,011
Loan interest and bank charges	**619,543**	726,319
YMCA Canada dues	**422,091**	396,256
Investment management fees	**22,232**	28,290
Other (income) expenses	**(639,718)**	(789,327)
	40,188,479	38,438,726
Excess of revenue over expenses before amortization	**3,227,036**	2,556,095
Other income (expenses)		
Amortization of capital assets	**(2,459,946)**	(2,137,478)
Amortization of deferred capital contributions	**1,055,216**	1,026,620
	(1,404,730)	(1,110,858)
Excess of revenue over expenses	**$ 1,822,306**	$ 1,445,237

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

The YMCA of Hamilton/Burlington/Brantford
Statement of Cash Flows

For the year ended December 31	2013	2012
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	**$ 1,822,306**	$ 1,445,237
Items not affecting cash		
Amortization of capital assets	**2,459,946**	2,137,478
Amortization of deferred capital contributions	**(1,055,216)**	(1,026,620)
Loss on disposal of capital assets	**3,473**	-
Investment gains	**(470,387)**	(238,220)
Changes in non-cash working capital balances		
Accounts receivable	**56,564**	247,041
Inventories and prepaid expenses	**(37,211)**	(28,641)
Accounts payable and accrued liabilities	**(189,414)**	310,964
Deferred revenue	**16,824**	39,141
Net unexpended special program funds	**(234,793)**	(609,725)
	2,372,092	2,276,655
Investing activities		
Capital asset purchases	**(1,529,297)**	(1,917,119)
Proceeds on sale of capital assets	**22,598**	-
Endowment investment purchases	**(81,320)**	(92,518)
Change in short-term investments	**148,477**	(1,704,033)
Change in capital campaign pledges	**(200,268)**	(406,347)
Restricted cash received	**(165,411)**	(8,337,389)
	(1,805,221)	(12,457,406)
Financing activities		
Capital contributions received	**992,700**	9,690,110
Proceeds from bank loans	**-**	243,046
Repayment of bank loans	**(1,546,146)**	(1,039,367)
Repayment of capital lease obligations	**(138,281)**	(193,304)
	(691,727)	8,700,485
Net decrease in cash	**(124,856)**	(1,480,266)
Cash, beginning of year	**1,480,851**	2,961,117
Cash, end of year	**$ 1,355,995**	$ 1,480,851

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

1. Significant Accounting Policies

Nature of Business
The charitable mission, vision, cause and core value statements of The YMCA of Hamilton/Burlington/Brantford are:

Charitable Mission
The YMCA of Hamilton/Burlington/Brantford is a charitable organization helping people achieve personal growth in spirit, mind and body through participation and service to the community.

Vision
Creating healthy communities in which individuals and families have opportunities to reach their potential.

Our Cause
The YMCA is committed to strengthening the foundations of community: nurturing the potential of children, teens and adults; promoting healthy living; fosters social responsibility and delivering lasting personal and social change.

Core Value
Caring. Honesty. Respect. Responsibility.

The YMCA of Hamilton/Burlington/Brantford was founded in 1856 and incorporated in 1886. The Organization was incorporated without share capital under the Ontario Corporations Act. The YMCA 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.

The YMCA's core offerings include provision of child care through 22 (2012 - 22) licensed pre-school childcare centres, 79 (2012 - 79) licensed before and after school programs, and 3 (2012 - 3) kindercare programs throughout Hamilton, Burlington and Brantford. The YMCA operates 5 (2012 - 5) health, fitness and recreation centres and numerous community, outreach, settlement and newcomer services throughout the communities it serves.

Basis of Accounting
The financial statements of the YMCA have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue Recognition
Child care fees, membership revenue, program fees and residence revenue are recognized over the related period of service. Purchase of service and general operating grants are recorded as revenue when the service is provided.

The YMCA follows the deferral method of accounting for contributions.

Unrestricted revenues, including donations, are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions relating to the purchase of amortizable capital assets are amortized on the same basis as the related assets.

1. Significant Accounting Policies (Continued)

Revenue Recognition (continued)
Deferred capital contributions related to capital assets represent the unamortized and unallocated amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Endowment contributions are recognized as revenue during the year. Investment income (losses) of the assets of the endowment are added to the endowment. The Board of Directors has approved a transfer of these amounts from unrestricted net assets to net assets invested in endowment. The endowment contributions are administered by the YMCA's Endowment Fund Committee.

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

Inventories
Inventories include maintenance, program and office supplies and are measured at the lower of cost and net realizable value.

Capital Campaign Pledges Receivable
Capital campaign pledges are recorded as an asset when there is a written pledge, the amount to be received can be reasonably estimated and collection is reasonably assured. The balance is shown, net of an impairment allowance. Actual amounts collected could differ from the amounts recorded.

Leased Assets
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. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis.

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

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

Buildings	-	40 years
Fixtures and equipment	-	3 to 5 years

Building additions are amortized over the remaining life of the related building. Projects in progress are not amortized as the assets are not in use. Fixtures and equipment recorded under capital leases are amortized on a straight-line basis over the term of the lease, which is the estimated useful life of the assets.

1. Significant Accounting Policies (Continued)

Deferred Revenue
Membership and program fees received before December 31 that relate to member privileges and programs for the time periods after December 31 are deferred to the following year and disclosed as deferred revenue on the statement of financial position.

Net Unexpended Special Program Funds
The YMCA operates various special programs which are funded by specifically designated provincial or federal grants. To the extent such grants are unspent at December 31, they are disclosed as unexpended special program funds on the statement of financial position.

Third Party Programs
The YMCA administers third party programs for which they receive funds from the third party, to be used to carry out the programs. As the YMCA is considered the agent in the transaction, amounts have been recorded on a net basis. During the year, approximately $708,000 (2012 - $776,000) of revenues and expenditures were incurred with respect to the administration of third party programs.

Use of Estimates
The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments
Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities, fixed income and pooled fund investments (included in investments) traded in an active market and RBC Investments Savings Account Series A money market funds (included in short-term investments) are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Foreign Currency Translation
Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date. Gains and losses on translation of monetary assets and liabilities are included in net income.

2. Short-term Investments

	2013	2012
Money market funds	$ 3,369,042	$ 3,517,519

December 31, 2013

3. Restricted Cash

Included in restricted cash is $8,493,378 (2012 - $8,333,333) which has been externally restricted by the Government of Ontario's Strategic Investments Fund for eligible costs relating to the Laurier Brantford YMCA capital project as stipulated in the funding agreement. Also included in restricted cash is $900,718 (2012 - $895,352) which has been externally restricted for land and building costs relating to the Laurier Brantford YMCA capital project (Note 5).

4. Investments

	2013		2012	
	Fair Value	**Cost**	Fair Value	Cost
Equities	**3,436,797**	**3,213,310**	-	-
Fixed income	**434,699**	**429,527**	-	-
Pooled fund investments	**176,331**	**176,331**	3,507,663	3,335,369
Cash	**127,689**	**127,689**	116,146	116,146
	$ 4,175,516	**$ 3,946,857**	$ 3,623,809	$ 3,451,515

The effective interest rate on fixed income securities during the year varied from 2.1% to 5.2%. The maturities of these securities range from 2014 to 2018.

The above amounts are monitored by the Endowment Fund Committee for compliance with the YMCA's Statement of Investment Policy.

5. Capital Assets

	2013		2012	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 1,887,045**	**$ -**	$ 1,887,045	$ -
Buildings	**49,485,083**	**15,812,821**	48,345,088	14,297,671
Fixtures and equipment	**4,171,835**	**2,377,875**	3,549,902	2,226,539
Projects in progress	**600,914**	**-**	1,088,810	-
	56,144,877	**18,190,696**	54,870,845	16,524,210
Net book value		**$ 37,954,181**		$ 38,346,635

During 2013, the YMCA purchased capital assets of $2,093,563 (2012 - $1,917,119) of which $492,169 (2012 - $47,984) are included in accounts payable and accrued liabilities at year end.

Projects in progress relate to incurred costs of a Wanakita renovation as well as initial stages of the capital project in Brantford as described below.

5. Capital Assets (Continued)

The YMCA, the Province of Ontario and Wilfrid Laurier University entered into an agreement in July 2011 wherein the Province has invested $16.7 million in Brantford infrastructure redevelopment for a project to construct a new 125,000 square foot athletic, recreational and community complex in Brantford, Ontario. One-half of the $16.7 million received from the Province of Ontario has been included in the YMCA's restricted cash balance (Note 3), the other half has been designated to Wilfrid Laurier University. The City of Brantford has provided in principal, support of the Municipality's funding portion of $5.2 million. In addition, the Federal Government of Canada has approved in principle the funding of the construction of the Laurier Brantford and YMCA Athletics and Recreation Complex, subject to a contribution agreement, up to one-third of the project's total eligible costs, to a maximum federal contribution of $16.7 million. Planning relating to this capital project continued throughout 2013, with expectation of construction commencing in 2014.

Included in projects in progress is $484,577 (2012 - $48,478), which represents fifty percent of the total expenditures incurred under the joint development agreement between Wilfrid Laurier University and the YMCA dated June 28, 2013. Under the agreement, both parties have agreed to jointly develop an athletic and recreation complex in Brantford and are equally and severally liable under each of the project contracts entered into. Wilfrid Laurier University shall be responsible for the payment of development expenses as agreed upon in the agreement and provide a monthly report of activity to the YMCA. Funds shall be transferred to Wilfrid Laurier University at appropriate times upon approval from the YMCA to fund the payment of the development expenses.

6. Bank Loans

The YMCA has the following unused facilities available as at December 31, 2013:

(i) a revolving operating line, to a maximum of $300,000, bearing interest at prime minus 0.5%

(ii) a $1,000,000 non-revolving term facility, bearing interest at either prime plus 0.5% or at fixed rates to be determined at the time of borrowings. Maximum terms of borrowings under this facility are five years.

(iii) an $807,000 non-revolving term facility, bearing interest at 4.23%, with a two year term

The YMCA also has a $1,000,000 (2012 - $750,000) revolving lease line of credit. As at year end, the amount drawn on this facility was $518,018 ($2012 - $92,033) (Note 7).

The above facilities are secured by a general security agreement and collateral mortgages of $7,300,000 on each of two properties owned by the YMCA.

7. Capital Lease Obligations

	2013	2012
Obligations under capital lease:		
- with interest rate of 3.45%, maturing September 2016	**$ 302,531**	$ -
- with interest rate of 3.59%, maturing June 2016	**183,803**	-
- with interest rate of 6.30%, maturing July 2014	**31,684**	92,033
	518,018	92,033
Current portion	**216,020**	60,349
	$ 301,998	$ 31,684

The obligations are secured by fixtures and equipment with a net book value of $446,468 (2012 - $105,436).

Minimum lease payments due with respect to the obligations under capital lease are as follows:

2014	$ 230,110
2015	198,426
2016	128,943
Total minimum lease payments	557,479
Less: imputed interest	(39,461)
	$ 518,018

8. Net Unexpended Special Program Funds

	2013	2012
Funding received unexpended	**$ 1,157,773**	$ 1,222,435
Less: funding in deficiency of amounts expended	**(987,765)**	(817,634)
	$ 170,008	$ 404,801

9. Deferred Capital Contributions

Restricted capital contributions are amortized on the same basis as the underlying capital assets.

	2013	2012
Balance, beginning of year	**$ 33,362,109**	$ 24,698,619
Add: contributions received and receivable	**992,700**	9,690,110
Less: contributions recognized as revenue	**(1,055,216)**	(1,026,620)
	$ 33,299,593	$ 33,362,109

9. Deferred Capital Contributions (Continued)

The balance of deferred capital contributions related to capital assets consists of the following:

	2013	2012
Unamortized capital contributions	**$ 32,646,772**	$ 32,566,604
Unallocated contributions	**652,821**	795,505
	$ 33,299,593	$ 33,362,109

10. Net Assets Invested in Capital Assets

	2013	2012
Capital assets, net	**$ 37,954,181**	$ 38,346,635
Restricted cash	**9,394,096**	9,228,685
Deferred capital contributions - unamortized	**(32,646,772)**	(32,566,604)
	$ 14,701,505	$ 15,008,716

11. Net Assets Invested in Endowment

The amounts invested in endowments are restricted investment funds that are to be used for programs run by the YMCA at the discretion of the Board of Directors.

	2013	2012
Investments	**$ 4,175,516**	$ 3,623,809
Less: Investments in unrestricted net assets	**(676,276)**	(513,939)
	$ 3,499,240	$ 3,109,870

The amount transferred from unrestricted net assets to net assets invested in endowment during the year is comprised of:

	2013	2012
Interest and dividend income	**$ 111,215**	$ 107,525
Donations	**-**	18,500
Investment gains	**470,387**	238,220
Investment management fees	**(22,232)**	(28,290)
Transfer to unrestricted net assets	**(170,000)**	-
	$ 389,370	$ 335,955

During the year, the Board of Directors approved a transfer of $170,000 (2012 - $Nil) from net assets invested in endowment to unrestricted net assets for Wanakita capital planning expenditures and for expansion of community literacy outreach programs.

12. Net Assets Internally Restricted

The internally restricted balance includes funds for capital projects in Brantford and Wanakita, YMCA Strong Kids dollars reserved for funding assistance needs, and funding of future child care wages, all reserved via Board of Director's approval.

During the year, the Board of Directors approved a transfer of commodity tax rebates of $639,718 (2012 - $789,327) from unrestricted net assets to net assets internally restricted. Also, the Board of Directors approved expenditures throughout the year of $1,576,492 (2012 - $nil) on Wanakita capital projects from net assets internally restricted.

13. Commitments

Future minimum payments under operating leases with terms in excess of one year are as follows:

2014	-	$	702,852
2015	-		502,299
2016	-		236,754
2017	-		122,529
2018	-		57,916
Thereafter	-		158,598

14. Government Grants

During the year, operating grants of $2,549,088 (2012 - $2,486,078) were received from the Regional Municipalities for child care wage subsidies. In addition, grants of $281,400 (2012 - $Nil) were received from the Regional Municipalities for child care operating costs. They were applied by the YMCA as an increase in purchase of service revenue.

15. Employee Future Benefits

The YMCA makes matching contributions to a defined contribution pension plan for its employees. Total pension expense in the financial statements is $667,825 (2012 - $619,873).

The YMCA has no obligations in excess of the contributions discussed above, as it does not have any defined benefit pension plans.

16. Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The YMCA is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations. The YMCA's financial instruments that are exposed to concentrations of credit risk relate primarily to its accounts receivable balances and capital campaign pledges receivable. This risk has not changed from the prior year.

Liquidity Risk

Liquidity risk is the risk that the YMCA encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the YMCA will not have sufficient funds to settle a transaction on a due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from the YMCA's accounts payable and accrued liabilities and commitments.

Market Risk

Market risk arises from the possibility that changes in market prices will affect the level of investments held by the YMCA. The YMCA is exposed to market risk through its investment in mutual funds and pooled fund investments. This risk has not changed from the prior year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Investments in equities and pooled fund investments of $1,035,248 (2012 - $nil) were held in a US dollars and converted into Canadian dollars at year end. These investments were exposed to foreign exchange fluctuations. The YMCA considers this risk to be acceptable and therefore does not hedge its foreign exchange rate risks.