YMCA of Three Rivers (Midwestern Ontario)

Financial Statements
December 31, 2020

Independent auditor's report

To the Members of YMCA of Three Rivers (Midwestern Ontario)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of YMCA of Three Rivers (Midwestern Ontario) (the Association) as at December 31, 2020 and the results of its operations and its cash flows for the period from October 3, 2020 to December 31, 2020 in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited
The Association's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of changes in net assets for the period from October 3, 2020 to December 31, 2020;
- the statement of operations for the period from October 3, 2020 to December 31, 2020;
- the statement of cash flows for the period from October 3, 2020 to December 31, 2020; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Ontario
June 24, 2021

YMCA of Three Rivers (Midwestern Ontario)
Statement of Financial Position
As at December 31, 2020

	$
Assets (note 8)	
Current assets	
Cash and cash equivalents	3,284,058
Investments (note 4)	3,568,573
Accounts receivable	7,631,242
Receivable from K-W YMCA Endowment Foundation (note 12)	80,964
Prepaid expenses	453,800
	15,018,637
Investments	1,648,504
Capital assets (note 5)	19,481,447
Prepaid co-occupancy costs (note 6)	5,714,506
	41,863,094
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities (note 7)	3,135,937
Deferred revenue (note 9)	3,263,085
Current portion of long-term debt (note 8)	8,714
	6,407,736
Deferred capital contributions (note 10)	9,161,968
	15,569,704
Net assets	
Internally restricted for capital assets	13,884,828
Internally restricted	577,610
Externally restricted	250,000
Unrestricted	11,580,952
	26,293,390
	41,863,094

Commitments (note 13)

Approved by the Board of Directors

______________________________ Director ______________________________ Director

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

YMCA of Three Rivers (Midwestern Ontario)

Statement of Changes in Net Assets

For the period from October 3, 2020 to December 31, 2020

	Internally restricted for capital assets $	Internally restricted $	Externally restricted $	Unrestricted $	Total $
Balance – Beginning of period	14,474,546	565,336	-	8,900,265	23,940,147
Excess of revenues over expenditures for the period	-	-	-	2,353,243	2,353,243
Net asset transfer (note 11)	(589,718)	12,274	250,000	327,444	-
Balance – End of period	13,884,828	577,610	250,000	11,580,952	26,293,390

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

YMCA of Three Rivers (Midwestern Ontario)

Statement of Operations

For the period from October 3, 2020 to December 31, 2020

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Revenues	
Program activities	3,254,180
Memberships	1,139,481
Government grants and programs	9,826,624
Donations, rebates and grants	747,421
Other income including rentals and concessions	150,481
Amortization of deferred prepaid co-occupancy contributions (note 10)	49,087
Amortization of deferred capital contributions (note 10)	187,094
	15,354,368
Expenditures	
Salaries, wages and benefits	8,985,353
Program costs	1,867,813
Facilities and equipment	1,105,454
Support costs	351,985
Staff and volunteer development	28,508
Amortization of capital assets	554,973
Amortization of prepaid co-occupancy costs	107,039
	13,001,125
Excess of revenues over expenditures	2,353,243

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

YMCA of Three Rivers (Midwestern Ontario)

Statement of Cash Flows

For the period from October 3, 2020 to December 31, 2020

	$
Cash provided by (used in)	
Operating activities	
Excess of revenues over expenditures	2,353,243
Items not involving cash	
Amortization of deferred capital contributions	(187,094)
Amortization of deferred prepaid co-occupancy contributions	(49,087)
Amortization of capital assets	554,973
Amortization of prepaid co-occupancy costs	107,039
Change in non-cash operating working capital	
Accounts receivable	(1,115,242)
Receivable from K-W YMCA Endowment Foundation	130,912
Inventory	13,774
Prepaid expenses	536,471
Accounts payable and accrued liabilities	(734,140)
Deferred revenue	(1,563,683)
	47,166
Investing activities	
Redemption of investments	86,506
Purchase of capital assets	(94,347)
	(7,841)
Financing activities	
Repayment of long-term debt	(9,226)
Capital contributions received during the period	316,186
	306,960
Increase in cash and cash equivalents during the period	346,285
Cash and cash equivalents – Beginning of period	2,937,773
Cash and cash equivalents – End of period	3,284,058

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

1 Purpose of the organization

YMCA of Three Rivers (Midwestern Ontario) (the Association) is dedicated to the growth of all persons in spirit, mind and body, fostering a sense of responsibility to each other and the global community, and to developing a healthy community. The communities served include the regions of Stratford-Perth, Guelph, Wellington and the Region of Waterloo. The Association is incorporated under the laws of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

2 Significant accounting policies

Basis of accounting

Effective October 3, 2020, the Stratford-Perth Family YMCA, The YMCA-YWCA of Guelph, The Kitchener-Waterloo YMCA and the YMCA of Cambridge merged to form the Association. The merger has been accounted for as a merger of not-for-profit organizations with the opening fund balances of the Association at October 3, 2020 recorded at the historical book values of the predecessor organizations as of October 2, 2020. The accounting policies applied by the Association are consistent with those applied by the predecessor organizations prior to the merger. These financial statements present the activity from October 3, 2020 to December 31, 2020.

The Association prepares its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue recognition

Revenue is recognized following the deferral method of accounting for contributions. Unrecognized amounts have been reflected as deferred revenue in the statement of financial position.

Restricted grants and donations are deferred and recognized as revenue in the year in which the related expenses are incurred.

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

Contributions of capital assets, including government grants, are included in deferred capital contributions and are amortized to revenues at the same rate and on the same basis as amortization of capital assets.

Contributions of prepaid co-occupancy costs are included in deferred capital contributions and are amortized to revenues at the same rate and on the same basis as amortization of prepaid co-occupancy costs.

Program activities and membership revenue is recognized as services are rendered.

Internally restricted funds

The Association has established an internally restricted fund to provide a source of funding for the purchase of capital assets, resources for child care and other specific purposes. The fund has been designated as internally restricted by the Board of Directors and is held separate from the operating funds of the Association.

Externally restricted funds

The Association has externally restricted funds relating to the YWCA.

Cash and cash equivalents

The Association considers deposits in banks, certificates of deposit and short-term investments with original maturities of 90 days or less as cash and cash equivalents.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value, when fair value can be reasonably estimated, at the date of contribution. Capital projects in progress are not amortized until the asset is available for use.

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

Buildings	25 to 40 years
Land improvements	5 to 10 years
Furniture and equipment	3 to 10 years
Leasehold improvements	10 years

Impairment of long-lived assets

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of capital assets is measured by comparison of their carrying amount to the undiscounted projected future net cash flows the long-lived assets are expected to generate. If the carrying value exceeds the estimated amount recoverable, a writedown equal to the excess of the carrying value over the assets' fair value is charged to the statement of operations.

Contributed goods and services

The value of contributed services to the Association is not reflected in these financial statements due to the difficulty of determining the fair value. The Association received and receipted donations for goods during the period, which are not reflected in these financial statements.

Prepaid co-occupancy costs

Prepaid co-occupancy costs are recognized over the terms of the agreements.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates are required in the valuation of capital assets.

Financial instruments

The Association's financial instruments consist of cash and cash equivalents, investments, accounts receivable, receivable from K-W YMCA Endowment Foundation, accounts payable and accrued liabilities and long-term debt.

The Association records its financial instruments initially at fair value and subsequently they are recorded at amortized cost. The aggregate amount of financial instruments recorded at amortized cost is an asset of $13,068,690.

Financial assets are tested for impairment at the end of each reporting period where there are indications that the assets may be impaired. Any excess of the carrying amount of the financial assets over the recoverable amount is recorded as an impairment charge. A previously recognized impairment charge may be reversed in future periods.

3 COVID-19

Following direction from municipal, provincial and federal governments as well as public health authorities with respect to the COVID-19 pandemic, the Association closed all overnight camps, health and wellness facilities, as well as child-care centres effective March 2020, with staggered reopening over the following months through to September 2020. While government funding continued to flow to the Association, payments from members and families were stopped during the closures. Since the initial closure, local health restrictions have further limited the Association's revenue generating activities. The Association applied for and received $2,731,169 of the Canadian Emergency Wage Subsidy (CEWS) during 2020. Subsequent to year-end, and as of the issuance of these financial statements, the fitness facilities remain closed due to the provincially mandated closures. The full financial impact of the continued effects of the pandemic are not determinable at this time. Management continues to contain expenses and monitor cash flows.

4 Investments

Investments consist of:

	$
Guaranteed investment certificates	1,972,012
Equities	150,746
Mutual funds	1,445,815
Total short-term investments	3,568,573
Long-term guaranteed investment certificates	1,648,504
	5,217,077

Guaranteed investment certificates mature at various dates from March 2021 to October 2023. Interest rates on these investments range between 0.85% to 3.28%.

5 Capital assets

	Cost $	Accumulated amortization $	Net $
Land	2,458,322	-	2,458,322
Buildings	49,348,052	34,426,673	14,921,379
Land improvements	520,403	484,380	36,023
Furniture and equipment	8,045,953	6,522,109	1,523,844
Leasehold improvements	607,775	381,426	226,349
Project in progress	315,530	-	315,530
	61,296,035	41,814,588	19,481,447

6 Prepaid co-occupancy costs

The Association has entered into three long-term co-occupancy agreements. Each agreement requires contribution payments to be made by the Association to fund facility construction costs of the co-occupancy partner, which are reimbursable on cancellation of the agreements subject to certain restrictions. The co-occupancy partner is the sole owner of the facility in each arrangement. These prepaid co-occupancy costs are being amortized on occupancy over the term of each agreement. The co-occupancy partner, the terms of the original co-occupancy agreement and the unamortized value of each of the three agreements are as follows:

	$
Waterloo Region District School Board (2003 – 2020)	37,016
Waterloo Region District School Board (2009 – 2028)	76,667
City of Waterloo (2011 – 2037)	5,600,823
	5,714,506

7 Government remittances

At December 31, 2020 the Association has outstanding government remittances payable including amounts for sales tax, payroll taxes and health taxes in a receivable position of $240,141. None of these remittances are in arrears.

8 Bank loan

The Association has an operating line of credit available to a maximum of $1,000,000, which bears interest at the bank prime rate of 3.95%. As of December 31, 2020, no amounts have been drawn against this operating line.

The operating line is secured by a general security agreement and continuing collateral mortgage providing a first charge over specified properties of the Association. As of December 31, 2020, the Association is in compliance with its covenants.

At December 31, 2020, the Association had a fixed term loan in addition to the operating line of credit, which bears interest at 3.2%. The loan matures on March 2, 2021.

9 Deferred revenue

The deferred revenue balance consists of unrecognized grant revenue, annual membership fees paid in advance and unrecognized revenue relating to programs for which services have yet to be rendered.

10 Deferred capital contributions

Deferred capital contributions represent externally restricted contributions.

The changes in the deferred capital contributions balance for the year are as follows:

	$
Beginning balance	9,081,963
Capital contributions	316,186
Amortization of deferred capital contributions	(187,094)
Amortization of deferred prepaid co-occupancy contributions	(49,087)
	9,161,968

In 2020, $3,915,060 of deferred capital contributions received are restricted for prepaid co-occupancy costs for the Stork Family YMCA in Waterloo.

11 Net change in fund balances invested in capital assets

The net change in fund balances invested in capital assets includes the following:

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Purchase of capital assets	94,347
Capital contributions received during the period	(316,186)
Amortization of capital assets	(554,973)
Amortization of deferred capital contributions	187,094
Decrease in fund balance	(589,718)

12 Economic interest

The Association has an economic interest in K-W YMCA Endowment Foundation (the Foundation), a charitable foundation. The Association annually requests a contribution from the Foundation; however, the assets of the Foundation are not available to satisfy the liabilities of the Association. In 2020, the Foundation approved a grant of $330,862 to the Association. Of this amount, $250,000 has been received and $80,862 is expected to be received in 2021. The Foundation decides on an annual basis to disburse funds to the Association based on the earnings in the endowment fund and the needs of the Association.

13 Commitments

The Association is committed under operating leases or facility agreements to rent premises and equipment as follows:

	$
2021	749,881
2022	479,040
2023	350,362
2024	309,200
2025	291,440
2026 and thereafter	2,576,265
	4,756,188

14 Financial instruments

Credit risk

Financial instruments that are potentially exposed to credit risk include cash and cash equivalents, investments and accounts receivable. Management considers its exposure to credit risk attributable to cash and cash equivalents and investments to be trivial as the Association holds cash deposits at one major Canadian chartered bank. Accounts receivable are not concentrated and therefore bear only low to moderate risk; the carrying amount of accounts receivable represents the maximum credit risk exposure.

Interest rate risk

The Association is exposed to interest rate risk arising from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage interest rate exposure, the Association invests in various income vehicles backed by a chartered bank.

Liquidity risk

Liquidity risk is the risk the Association will not be able to meet its financial obligations as they come due. The Association has taken steps to ensure it has sufficient working capital available to meet its obligations.

15 Pension plan

The Association has made contributions to a defined contribution pension plan on behalf of its employees in the amount of $215,120.