

Financial Statements

The Young Men's Christian Association of
Edmonton

(Operating as YMCA of Northern Alberta)

December 31, 2018

Contents

	Page
Independent Auditor's Report	1 - 3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Financial Position	6
Statement of Cash Flows	7 - 8
Notes to the Financial Statements	9 - 30
Schedule 1 - Operating Expenses	31
Schedule 2 - Homeward Trust Edmonton and Homeward Trust Foundation	32
Schedule 3 - The City of Grande Prairie Housing First Centralized Assessment	33
Schedule 4 - Government of Alberta Early Learning Child Care Centre Funding	34

Independent Auditor's Report

To the Members of The Young Men's Christian Association of Edmonton
(operating as YMCA of Northern Alberta)

Opinion

We have audited the financial statements of The Young Men's Christian Association of Edmonton (operating as YMCA of Northern Alberta) ("the Association"), which comprise the statement of financial position as at December 31, 2018, 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 The Young Men's Christian Association of Edmonton (operating as YMCA of Northern Alberta) as at December 31, 2018, 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 Association 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.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 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.

Edmonton, Canada

April 8, 2019

Grant Thornton LLP

Chartered Professional Accountants

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Operations**

Year ended December 31	2018	2017
Revenues		
Program fees	\$ 26,098,040	\$ 26,152,394
Membership dues	15,000,464	15,574,941
YMCA Opportunity Fund (Note 15)	<u>(2,048,668)</u>	<u>(2,166,797)</u>
	39,049,836	39,560,538
Operating grants - government	15,596,085	9,833,499
Amortization of deferred capital contributions (Note 11)	3,669,837	4,146,643
Operating grants – other	2,159,180	1,694,184
Rental and other revenue	1,700,513	1,731,608
Contributions	1,329,010	1,431,225
Housing	1,302,353	1,637,602
United Way	529,798	687,299
Investment income	<u>47,403</u>	<u>23,922</u>
	65,384,015	60,746,520
Expenses		
Operating (Schedule 1)	59,897,477	56,054,543
Amortization of capital assets	5,461,399	5,786,191
Interest on long-term debt and capital leases	215,819	187,278
Amortization of intangible asset	126,300	126,300
Loss on disposal of capital assets	<u>32,833</u>	<u>-</u>
	65,733,828	62,154,312
Deficiency of revenues over expenses before other items	(349,813)	(1,407,792)
Other items		
Insurance proceeds	311,285	106,665
Expenses relating to Wood Buffalo fire	(244,768)	-
Gain on sale of long-lived asset (Note 5)	-	3,490,374
Decommissioning expenses	<u>-</u>	<u>(56,596)</u>
(Deficiency) excess of revenues over expenses	\$ (283,296)	\$ 2,132,651

See accompanying notes to the financial statements

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Changes in Net Assets**

Year Ended December 31

2018 **2017**

	<u>Investment in capital assets</u> (Note 12)	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 12,350,241	\$ (4,101,043)	\$ 8,249,198	\$ 6,116,547
(Deficiency) excess of revenues over expenses	(1,908,408)	1,625,112	(283,296)	2,132,651
Transfer to unrestricted fund	<u>(25,234)</u>	<u>25,234</u>	-	-
Balance, end of year	<u>\$ 10,416,599</u>	<u>\$ (2,450,697)</u>	<u>\$ 7,965,902</u>	<u>\$8,249,198</u>

See accompanying notes to the financial statements

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Financial Position**

December 31	2018	2017
Assets		
Current		
Cash and cash equivalents	\$ 9,160,239	\$ 3,888,607
Short-term investments	18,307	17,940
Accounts and grants receivable (Note 3)	2,179,619	1,796,409
Receivables from related parties (Note 4)	42,927	4,786
Inventories	111,889	33,378
Prepays and deposits	<u>269,283</u>	<u>243,882</u>
	11,782,264	5,985,002
Restricted cash equivalents (Note 20)	297,795	245,929
Capital assets (Note 5 (a))	54,028,201	57,429,307
Intangible asset (Note 5 (b))	<u>1,841,875</u>	<u>1,968,175</u>
	\$ 67,950,135	\$ 65,628,413
Liabilities		
Current		
Cheques issued in excess of funds on deposit	\$ 172,894	\$ 83,926
Bank operating line of credit (Note 6)	60,000	-
Accounts payable and accrued liabilities (Note 7)	4,387,077	4,167,688
Payables to related parties (Note 4)	3,428	19,940
Deferred revenue (Note 8)	6,600,446	2,759,149
Current portion of obligations under capital leases (Note 9)	139,737	432,062
Current portion of long-term debt (Note 10)	<u>459,074</u>	<u>256,409</u>
	11,822,656	7,719,174
Obligations under capital leases (Note 9)	45,047	184,784
Long-term debt (Note 10)	6,439,422	4,635,453
Long-term payable (Note 20)	297,795	245,929
Deferred capital contributions (Note 11)	<u>41,379,313</u>	<u>44,593,875</u>
	59,984,233	57,379,215
Net Assets		
Investment in capital assets (Note 12)	10,416,599	12,350,241
Unrestricted	<u>(2,450,697)</u>	<u>(4,101,043)</u>
	7,965,902	8,249,198
	\$ 67,950,135	\$ 65,628,413

Commitments (Note 13), Contingency (Note 14)

On behalf of the Board

 Director
  Director

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Statement of Cash Flows

Year Ended December 31	2018	2017
Increase (decrease) in cash and cash equivalents		
Operating		
Cash receipts from members, participants, donors, and delivery of services	\$ 65,381,494	\$ 56,870,471
Cash paid to employees, suppliers, and for program purposes	(59,974,901)	(56,077,845)
Investment income	47,403	23,922
Interest paid	<u>(215,819)</u>	<u>(187,278)</u>
	<u>5,238,177</u>	<u>629,270</u>
Financing		
Capital contributions received	455,275	753,808
Repayment of long-term debt	(270,827)	(257,700)
Repayment of obligations under capital leases	(432,062)	(451,424)
Proceeds from long-term debt	<u>2,277,461</u>	<u>-</u>
	<u>2,029,847</u>	<u>44,684</u>
Investing		
Acquisition of capital assets	(2,147,995)	(2,220,737)
Increase in restricted cash equivalents	(51,866)	(52,153)
Change in short-term investments	(367)	(1,115)
Proceeds from sale of long-lived asset	-	3,500,000
Proceeds from disposition of capital assets	<u>54,868</u>	<u>-</u>
	<u>(2,145,360)</u>	<u>1,225,995</u>
Net increase in cash and cash equivalents	5,122,664	1,899,949
Cash and cash equivalents:		
Beginning of year	<u>3,804,681</u>	<u>1,904,732</u>
End of year	<u>\$ 8,927,345</u>	<u>\$ 3,804,681</u>

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Statement of Cash Flows (cont'd)**

Year Ended December 31 2018 2017

Supplemental cash flow information

Cash and cash equivalents are comprised of the following:

Cash, including bank savings accounts	\$ 6,549,237	\$ 1,329,467
Cashable guaranteed investment certificates	2,611,002	2,559,140
Cheques issued in excess of funds on deposit	(172,894)	(83,926)
Bank operating line of credit	<u>(60,000)</u>	<u>-</u>
	<u>\$ 8,927,345</u>	<u>\$ 3,804,681</u>

The cashable guaranteed investment certificates bear interest at rates ranging from 2.05% to 2.44% (2017 – 1.2% to 1.6%) and mature on January 15, 2019 to December 31, 2019 (2017 – mature on December 10, 2018 to December 31, 2018).

The Young Men's Christian Association of Edmonton (Operating as YMCA of Northern Alberta)

Notes to the Financial Statements

December 31, 2018

1. Nature of operations

The Young Men's Christian Association of Edmonton (operating as YMCA of Northern Alberta), (the "Association") is part of the worldwide fellowship dedicated to creating life-enhancing opportunities for the growth and development of all people in spirit, mind, and body and to support the development of strong kids, healthy families, and thriving communities. The Association provides services in each of the Edmonton, Grande Prairie, and Wood Buffalo regions within the province of Alberta. The Association was incorporated in 1907 under an Act of the Alberta Legislature as a not-for-profit organization, is a registered charity under the Income Tax Act, and is exempt from income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the period. Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the amortization basis for capital assets, fair value of contributed capital assets and intangible assets and valuation of allowance for doubtful accounts receivable.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Notes to the Financial Statements

December 31, 2018

2. Summary of significant accounting policies (cont'd)

Revenue recognition

The Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions received for the purchase of capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Restricted contributions for the purchase of capital assets that will not be amortized are recognized as a direct increase in the investment in capital asset fund. A liability to repay a restricted contribution with contingent repayment terms is accounted for in the period in which conditions arise that causes the restricted contribution to be repaid.

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.

Membership dues, program fees, rental and other revenue, and housing revenues are recognized when the related service is performed and when reasonable assurance exists regarding the measurement and collection of the consideration received.

Interest on bank accounts and interest and dividends on marketable securities are recorded as revenue when earned.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, including bank savings accounts, and cashable guaranteed investment certificates which are highly liquid or convertible to cash in less than one year.

The Association's definition of investing activities for the statement of cash flows includes short-term investments in marketable securities and life insurance policies at estimated cash surrender value.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

2. Summary of significant accounting policies (cont'd)

Financial instruments

Initial measurement:

The Association's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement:

At each reporting date, the Association measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Association uses the effective interest method to amortize any premiums, discounts, transaction fees, and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, accounts and grants receivable, receivables from related parties, accounts payable and accrued liabilities, payables to related parties, and long-term debt. The carrying value of financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

For financial assets measured at cost or amortized cost, the Association regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Association determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Controlled not-for-profit organization

The Association reports a controlled not-for-profit organization (The Edmonton YMCA Foundation) by disclosing information about the controlled not-for-profit organization. As a result, the Association's financial statements do not include the financial position, financial performance, or cash flows of The Edmonton YMCA Foundation.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is based on actual original purchase price of inventory. Net realizable value is defined as the estimated selling price less estimated selling costs.

The Young Men’s Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements

December 31, 2018

2. Summary of significant accounting policies (cont’d)

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 using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	4 to 25 years
Building upgrades	10 years
Furniture and equipment	1 to 5 years
Computer software/hardware	1 to 5 years
Vehicles	5 years
Leasehold improvements	3 to 5 years
Equipment under capital leases	3 to 5 years

Capital assets are amortized in the year of acquisition at one-half of the straight-line rate.

Capital assets under development are amortized in the year of significant completion and when useful life can be estimated.

Project under development relates to computer software presently being developed for use by participating YMCA Associations. The basis for amortization will be determined in 2019 when the software is implemented by the Association.

Impairment of long-lived assets

The Association tests for impairment when events or changes in circumstances indicate the carrying amount of an item or class of capital assets may not be recoverable. The recoverability of long-lived assets is based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset’s carrying amount. Fair value is determined based on quoted market prices when available, otherwise on discounted cash flows over the life of the asset.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Notes to the Financial Statements

December 31, 2018

2. Summary of significant accounting policies (cont'd)

Intangible asset

The contributed intangible asset is recorded at fair value at the date of contribution. Amortization is provided using the straight-line method over the estimated useful life of the asset as follows:

Right-to-use land asset	20 years
-------------------------	----------

Employee future benefits

The Association has a defined contribution pension plan. Pension costs comprise the cost of the employer contributions for the current service of employees during the year.

Donated materials and contributed services

Donated materials and services are recorded at fair value when the fair value can be reasonably estimated and when the materials and services are normally purchased by the Association.

The Association is dependent upon the services provided by its volunteers. Volunteers contributed numerous hours in carrying out the activities of the Association. Due to the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements

December 31, 2018

3. Accounts and grants receivable	<u>2018</u>	<u>2017</u>
Program fees and membership dues	\$ 448,914	\$ 406,175
Less: allowance for doubtful accounts	<u>(109,262)</u>	<u>(93,165)</u>
	339,652	313,010
Operating grants – government	1,364,295	841,478
Rental and other	302,505	295,932
Operating grants – other	173,167	310,342
United Way	<u>-</u>	<u>35,647</u>
	<u>\$ 2,179,619</u>	<u>\$ 1,796,409</u>

Current receivables are non-interest bearing and are generally received within 30-day terms. A provision for impairment on trade accounts receivable (provision for bad and doubtful receivables) is recognized when there is objective evidence that a receivable from members or participants is impaired. These have been included in operating expenses as bad debt expense (Schedule 1).

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements

December 31, 2018

4. Related parties

	<u>2018</u>	<u>2017</u>
Receivables from related parties:		
Regional Council of YMCAs of Alberta	\$ 42,927	\$ -
Boyle Renaissance Condominium Corporation	<u>-</u>	<u>4,786</u>
	<u>\$ 42,927</u>	<u>\$ 4,786</u>
Payables to related parties:		
The Edmonton YMCA Foundation	\$ 3,428	\$ 5,645
Regional Council of YMCAs of Alberta	<u>-</u>	<u>14,295</u>
	<u>\$ 3,428</u>	<u>\$ 19,940</u>

All of the transactions with related organizations described below are conducted on the terms and conditions agreed to by the related parties and were recorded at the exchange amount.

	<u>2018</u>	<u>2017</u>
Revenue received from related parties:		
Rental and management fees from Regional Council of YMCAs of Alberta	\$ 12,000	\$ 15,000
Contributions from The Edmonton YMCA Foundation	\$ 135,377	\$ 177,700
Expenses paid to or on behalf of related parties:		
The Edmonton YMCA Foundation	\$ 164,762	\$ 153,249
Boyle Renaissance Condominium Corporation	\$ 94,936	\$ 107,812

a) The Edmonton YMCA Foundation

The Edmonton YMCA Foundation (the "Foundation") is incorporated as a not-for-profit organization under the Alberta Societies Act and is a registered charity under the Income Tax Act. The mission of the Foundation is to act as a fundraising body collecting donations, gifts, and bequests exclusively for the benefit of the Association. The Association exercises control over the Foundation through the appointment of the members of the Board of Directors.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Notes to the Financial Statements

December 31, 2018

4. Related parties (cont'd)

a) The Edmonton YMCA Foundation (cont'd)

A financial summary of the Foundation as at March 31, 2018, and March 31, 2017, is as follows:

Financial position as at March 31	<u>2018</u>	<u>2017</u>
Total assets	\$ 4,608,679	\$ 4,198,928
Total liabilities	\$ 146,575	\$ 191,820
Total net assets	\$ 4,462,104	\$ 4,007,108

Results of operations for the year ended March 31

Total revenues	\$ 174,459	\$ 204,022
Total expenses	\$ 299,369	\$ 358,867
Deficiency of revenues over expenditures	\$ (124,910)	\$ (154,845)
Contributions from the Association to the Foundation included in total revenues	\$ 152,504	\$ 172,152
Program funding expense to the Association included in total expenses	\$ 135,377	\$ 177,700

Cash flows for the year ended March 31

Decrease in cash from operating activities	\$ (121,039)	\$ (159,678)
Increase in cash from investing activities	\$ 125,016	\$ 167,029
Net increase in cash	\$ 3,977	\$ 7,351

There are no significant differences in the accounting policies of the Foundation from those followed by the Association.

There have been no significant events or transactions from March 31, 2018, to December 31, 2018 in the Foundation which would impact the Association's financial position or results of operations.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

4. Related parties (cont'd)

b) Regional Council of YMCAs of Alberta

The Association exercises significant influence over the affairs of The Regional Council of YMCAs of Alberta (the "Regional Council") due to its right to appoint some members of its Board of Directors. The Regional Council's mission is to foster the growth and development of local YMCAs throughout Alberta by providing leadership development programs, assisting member Associations with governance, management and operational issues, and supporting program development locally, nationally, and internationally. The Regional Council is incorporated as a not-for-profit organization under the Alberta Societies Act and is a registered charity under the Income Tax Act. Financial transactions between the Association and the Regional Council are at "arm's length" and are in accordance with annual budgets approved by the Regional Council Board of Directors.

c) Boyle Renaissance Condominium Corporation

The Association exercises significant influence over the Boyle Renaissance Condominium Corporation ("BRCC") (Note 20) due to its ownership of units in the BRCC and representation on the Board of Directors. A member of the Association's Board of Directors has an ownership interest in the consulting company which had been engaged by the BRCC to provide administrative and management services.

d) Other

The Association paid professional fees during the year totalling \$16,026 (2017 – \$43,245) for purchased services expenses to two (2017 – two) firms in which an Association Director holds ownership interests. In addition, the Association has mortgages payable with a financial institution of which an Association Director is a member of senior management.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Notes to the Financial Statements

December 31, 2018

5. Capital and intangible assets

a) Capital assets		Accumulated	2018	2017
	<u>Cost</u>	<u>Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 4,883,604	\$ -	\$ 4,883,604	\$ 4,883,604
Buildings and building upgrades	88,005,093	43,565,392	44,439,701	48,178,711
Furniture and equipment	12,932,894	10,743,241	2,189,653	1,978,754
Computer software/hardware	2,168,068	1,696,777	471,291	450,106
Project under development	1,856,341	-	1,856,341	1,553,431
Vehicles	1,000	500	500	700
Leasehold improvements	1,253,874	1,087,178	166,696	55,315
Equipment under capital leases	<u>2,042,920</u>	<u>2,022,505</u>	<u>20,415</u>	<u>328,686</u>
	<u>\$ 113,143,794</u>	<u>\$ 59,115,593</u>	<u>\$ 54,028,201</u>	<u>\$ 57,429,307</u>

Buildings include \$1,932,954 (2017 – \$2,032,080), net of accumulated amortization, relating to an interest in the YMCA Welcome Village parkade, owned through the Association's interest in the Boyle Renaissance Condominium Corporation ("BRCC") (Note 20).

During the year ended December 31, 2017, the long-lived asset of the Downtown Housing Facility was sold for proceeds of \$3,500,000. The Association continues to provide both Housing and Housing Support Services.

b) Intangible asset

		Accumulated	2018	2017
	<u>Cost</u>	<u>Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Right to use land asset	<u>\$ 2,526,000</u>	<u>\$ 684,125</u>	<u>\$ 1,841,875</u>	<u>\$ 1,968,175</u>

The intangible asset represents the Association's right to use the land represented by the Melcor YMCA Village unit ownership, a component of the Welcome Village. The asset has been recorded at fair market value for the land upon contribution in 2013, as a proxy for the value of the right to use land asset, and will be amortized over the twenty years of expected use by the Association. The amortization period relates to the agreement with Capital Region Housing Corporation ("CRHC") and the expectation that ownership will transfer to CRHC in twenty years from acquisition in 2013 (Note 20).

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

6. Bank operating line of credit

The Association has an operating line of credit of \$1,500,000 (2017 – \$2,000,000) of which \$60,000 (2017 – \$nil) is outstanding at year end. This facility is due on demand and bears interest at the bank's prime rate plus 0.5% (2017 – prime rate plus 0.5%).

Under the terms of the credit facility agreement, the Association may not pledge any real property without first providing the bank with a fixed charge on the Jamie Platz Family YMCA.

7. Accounts payable and accrued liabilities	<u>2018</u>	<u>2017</u>
Trade and accrued liabilities	\$ 4,188,600	\$ 3,999,517
Government payables	<u>198,477</u>	<u>168,171</u>
	<u>\$ 4,387,077</u>	<u>\$ 4,167,688</u>

Provisions are made for the Association's liability for employee future benefits arising from services rendered by employees to the balance sheet date. As such, the Association provides for unused vacation entitlement that has accumulated. The accrued amounts of \$559,072 (2017 – \$523,949) have been classified in trade and accrued liabilities.

8. Deferred revenue

Deferred contributions included in the deferred revenue balance of \$6,600,446 as at December 31, 2018 (December 31, 2017 - \$2,759,149) include:

	<u>2017</u>	<u>Net Additions</u>	<u>Revenue Recognized</u>	<u>2018</u>
Operating grants – government	\$ 182,054	\$ 10,009,797	\$ 6,053,846	\$ 4,138,005
Operating grants – other	248,168	2,155,475	2,128,974	274,669
Contributions	281,811	270,412	397,622	154,601
United Way	<u>-</u>	<u>193,533</u>	<u>139,854</u>	<u>53,679</u>
	<u>712,033</u>	<u>\$ 12,629,217</u>	<u>\$ 8,720,296</u>	<u>4,620,954</u>
Membership dues, program fees, housing and rental deposits and deferred revenue	<u>2,047,116</u>			<u>1,979,492</u>
	<u>\$ 2,759,149</u>			<u>\$ 6,600,446</u>

**The Young Men’s Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

9. Obligations under capital leases

The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases:

2019	\$	142,884
2020		<u>45,180</u>
Total minimum lease payments		188,064
Less: amount representing interest at 3.49% (2017 – 4.14%)		<u>3,280</u>
Balance of lease obligations		184,784
Less: current portion		<u>139,737</u>
	\$	<u>45,047</u>

The collateral security lodged by the Association to support the obligations under capital leases are the underlying assets to which the leases relate.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Notes to the Financial Statements

December 31, 2018

10. Long-term debt	<u>2018</u>	<u>2017</u>
Mortgage payable, bearing interest at prime, monthly interest-only payments, matured September 30, 2017 (Note 10 (a))	\$ 925,000	\$ 925,000
Mortgage payable, bearing interest at 4.38%, repayable in blended monthly instalments of \$17,368, amortized until March 1, 2030 with terms renewing January 31, 2023 (Note 10 (b) and (c))	1,848,385	1,974,087
Mortgage payable, bearing interest at 3.52%, repayable in blended monthly instalments of \$16,630, amortized until March 1, 2030 with terms renewing April 1, 2020 (Note 10 (b) and (c))	1,861,247	1,992,775
Mortgage payable, bearing interest at 4.70%, repayable in blended monthly instalments of \$16,580 until fully repaid on November 1, 2022 (Note 10 (b))	710,433	-
Mortgage payable, bearing interest at prime, monthly interest-only payments subject to the terms and provisions described in Note 10 (b) and (d)	<u>1,553,431</u>	<u>-</u>
	6,898,496	4,891,862
Less: current portion	<u>459,074</u>	<u>256,409</u>
	<u>\$ 6,439,422</u>	<u>\$ 4,635,453</u>

The Young Men's Christian Association of Edmonton (Operating as YMCA of Northern Alberta)

Notes to the Financial Statements

December 31, 2018

10. Long-term debt (cont'd)

- a) The \$925,000 mortgage payable is secured by the Bill Rees YMCA land and building, having a carrying value of \$1,744,302 (2017 – \$1,819,477) and matured on September 30, 2017.

Subsequent to the year end, the mortgage was renewed for an additional five-year period ending September 30, 2022, retroactively from October 1, 2017. The lender has committed to the Association that repayment will not be demanded on the mortgage payable prior to January 1, 2020. This commitment is based on the assumption that the Association will continue to meet all other related conditions and repayment terms of the agreement. As a result of this commitment, the Association has classified this mortgage payable as long-term debt.

- b) The financing agreement for the Association's mortgage debt of \$1,848,385, \$1,861,247, \$710,433 and \$1,553,431 includes a demand feature that allows the lenders to demand repayment at any time. However, the financial institutions have committed to the Association that repayment will not be demanded on these mortgages payable prior to January 1, 2020. These commitments are based on the assumption that the Association will continue to meet all other related conditions and repayment terms of the agreement. As a result of these commitments, the Association has classified the liability as long-term debt.

Security for the four mortgages of \$1,848,385, \$1,861,247, \$710,433 and \$1,553,431 includes:

- A general security agreement providing a first charge over all assets pertaining specifically to the Don Wheaton Family YMCA facility and parkade, including all present and after acquired personal property and proceeds;
- A demand mortgage in the amount of \$18,500,000 on the Don Wheaton Family YMCA facility and the parkade, with a combined carrying value of \$13,051,079 (2017 – \$14,085,047);
- General assignment of rents and leases receivable by the Association;
- General assignment of material contracts and benefits with respect to the Don Wheaton Family YMCA, and;
- Demand notes.

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements

December 31, 2018

10. Long-term debt (cont'd)

- c) The \$1,848,385 and \$1,861,247 mortgages are syndicated mortgages payable to two financial institutions.
- d) The Association has an approved mortgage of \$1,838,594, of which \$1,553,431 has been advanced at December 31, 2018 relating to the acquisition of a new software program. At the earlier of the date when the debt is fully funded or the maturity date of July 31, 2019, the loan will be converted to a fixed rate option for a negotiated term of between one to five years, with blended monthly instalments based on a ten-year amortization period.
- e) The principal payments due within the next five years and thereafter, assuming the loans are renewed at the current terms, are estimated as follows:

2019	\$	459,074
2020		584,974
2021		611,304
2022		1,547,198
2023		463,513
Thereafter		<u>3,232,433</u>
	\$	<u>6,898,496</u>

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

11. Deferred capital contributions

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 44,593,875	\$ 47,986,710
Add: contributions received	455,275	753,808
Less: contributions recognized as revenue	<u>(3,669,837)</u>	<u>(4,146,643)</u>
Balance, end of year	<u>\$ 41,379,313</u>	<u>\$ 44,593,875</u>

Contributions received include:

YMCA Welcome Village Capital Campaign	\$ 80,660	\$ 88,745
Capital grants (including \$306,946 (2017 – \$582,932) from government sources for facility development projects)	<u>374,615</u>	<u>665,063</u>
	<u>\$ 455,275</u>	<u>\$ 753,808</u>

The Association previously entered into a capital contribution campaign to raise \$3,300,000 in contributions for the YMCA Welcome Village and related fundraising costs. Contributions received to December 31, 2018 totalled \$3,242,447 (2017 – \$3,161,787). Outstanding pledges, totalling \$994,085 (2017 – \$1,072,585) as at December 31, 2018, are expected to be received within the next fourteen years. Contributions exceeding the original \$3,300,000 campaign goal will be directed towards capital and operating support for the YMCA Welcome Village.

Contributions are recorded on a cash basis. Pledged amounts represent promised contributions from individuals and corporations. Given that pledged amounts are not legally enforceable claims, they have not been reflected in the financial statements.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Notes to the Financial Statements

December 31, 2018

12. Investment in capital assets	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 12,350,241	\$ 9,159,319
Amortization of capital assets	(5,461,399)	(5,786,191)
Amortization of intangible asset	(126,300)	(126,300)
Amortization of deferred capital contributions	3,669,837	4,146,643
Gain on sale of long-lived asset	-	3,490,374
Investment income	42,287	1,726
Loss on disposal of capital assets	<u>(32,833)</u>	<u>-</u>
(Deficiency) excess of revenue over expenses	<u>(1,908,408)</u>	<u>1,726,252</u>
Other items:		
Acquisition of capital assets	2,147,995	2,220,737
Receipt of capital contributions	(455,275)	(753,808)
Repayment of long-term debt	270,827	257,700
Repayment of obligations under capital leases	432,062	451,424
Transfer of restricted cash equivalents	51,866	52,222
Transfer of cash and short-term investments from the Investment in capital asset fund to the Unrestricted Fund	(88,514)	(711,452)
Proceeds from disposition of capital assets	(54,868)	-
Proceeds from long-term debt	(2,277,461)	-
Increase in long-term payable	<u>(51,866)</u>	<u>(52,153)</u>
(Decrease) increase in net assets invested in capital assets	<u>(25,234)</u>	<u>1,464,670</u>
Balance, end of year	<u>\$ 10,416,599</u>	<u>\$ 12,350,241</u>

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

13. Commitments

a) Operating leases and service contracts

The Association has sixty-one leased premises subject to operating lease commitments.

The minimum annual lease payments under these operating leases are as follows:

2019	\$ 1,301,535
2020	663,926
2021	539,502
2022	497,868
2023 and thereafter	<u>2,456,240</u>
	<u>\$ 5,459,071</u>

Included in the minimum lease payments are three lease agreements for child care centres where rent expense is a percentage of the gross child care fees on a monthly basis. The minimum annual lease payments include the estimated annual payments for these leases to the end of the current lease terms.

b) Computer software project under development

The Association has committed to participate in an initiative being sponsored by YMCA Canada relating to the development of a new software program. The project cost of \$1,856,341 is reflected in these financial statements and includes \$278,266 in accounts payable to YMCA Canada as at December 31, 2018. In addition, local Association costs totalling \$73,571 have been capitalized to December 31, 2018. The Association will incur additional project costs estimated at \$251,500 in 2019, which includes consulting and other conversion costs of \$176,500.

c) Electrical power purchase agreement

The Association has signed agreements to purchase power at a fixed rate for the periods from January 1, 2018 to December 31, 2019, from January 1, 2020 to December 31, 2020 and from January 1, 2021 to December 31, 2023.

d) Natural gas purchase agreement

The Association has signed agreements to purchase natural gas at a fixed rate for the period from December 1, 2017 to November 30, 2021.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

13. Commitments (cont'd)

e) Restriction of use

The Association has agreed to certain commitments to the City of Edmonton relating to the four Health, Fitness and Aquatic facilities located in the Edmonton region, intended to ensure the facilities continue to provide recreational services to members of the community.

14. Contingency

The Association and the Fort McMurray Public School District ("School District") are the two remaining parties to a Settlement Agreement signed in 2015.

As part of the Agreement, the School District has agreed to waive a disputed contingent liability if the Association will eventually transfer its ownership interest in the Westwood facility to the School District and will either vacate or enter into a residual lease agreement.

The remaining obligations of the Association arising from the Settlement Agreement are as follows:

- Facility expense sharing obligations, as outlined by a Shared Use Agreement, which is currently in place between the School District and the Association, and two lease agreements, and;
- The eventual transfer, on or before December 31, 2019, of the remaining ownership interest of the Westwood facility to the School District, upon vacating or the continued occupancy in the facility, as a tenant, under the terms to be established by a residual lease agreement.

It is the Association's intent to meet all of the terms of the Settlement Agreement. The Association has assessed the potential for any material liability arising from the Settlement Agreement to be unlikely and therefore no liability has been reflected in the financial statements.

15. YMCA Opportunity Fund

During the year, membership and program fees totaling \$2,048,668 (2017 – \$2,166,797), for qualifying individuals and families, were sponsored through the Association's financial assistance program (the YMCA Opportunity Fund) which is funded, in part, by the annual YMCA Giving fundraising campaign.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

16. Family Ties Program in the Grande Prairie Region

During the year, the Association received funding for the Family Ties program, operating in the Grande Prairie region, under the terms of an agreement with the Minister of Human Services for the Province of Alberta. Operating grants - government revenue was recognized for this program of \$276,859 (2017 – \$297,888). As of December 31, 2018, deferred revenue for the program was \$21,382 (2017 – \$29,185).

17. Pension expense

The Association has a defined contribution plan covering eligible employees. Contributions are computed as a percentage of compensation. The expense recorded in relation to the employee benefit plan for the year ended December 31, 2018 was \$701,609 (2017 – \$609,537).

18. Financial instrument risks

The Association's main financial instrument risk exposure is detailed as follows:

The Association holds guaranteed investment certificates, which are subject to various risks such as interest rate and market fluctuations. These risks are mitigated by restricting both the type and term of securities eligible for investment. The Association is subject to interest rate risk due to the variable rate applicable to the mortgages payable. It is management's opinion that the Association is not exposed to significant interest rate risk arising from financial instruments.

The Association is exposed to credit risk from members, program participants, organizations receiving services, and related parties. Credit risk arises from the possibility that the individuals, families, and entities to which the Association provides services may experience financial difficulty and be unable to fulfil their obligations. The Association's receivable balance is made up of numerous and diverse receivables, which reduces the concentration of credit risk.

The Association is exposed to liquidity risk as the Association could encounter difficulty in meeting obligations associated with its financial liabilities. The Association is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities, obligations under capital leases, and long-term debt.

The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements

December 31, 2018

19. Fundraising

The Association creates opportunities for all participants and members to form relationships and gain a sense of belonging and involvement. This comprehensive fund development program incorporates a variety of activities, including community engagement, planned giving, capital campaign administration, and the annual YMCA Giving fundraising campaign. Total costs for the fund development program for the year ended December 31, 2018, were \$588,245 (2017 – \$567,287) including \$439,985 (2017 – \$454,944) in salaries, wages, and benefits. In addition, the direct cost of the 2018 YMCA Giving campaign of \$66,613 (2017 – \$75,073) was expensed in branch operations.

20. YMCA Welcome Village

In 2009, the Association entered into a Memorandum of Understanding (“MOU”) with the Capital Region Housing Corporation (“CRHC”) relating to the development of the YMCA Welcome Village.

The Boyle Renaissance Condominium Corporation (“BRCC”) was registered in 2013 for the purpose of facilitating the long-term ownership structure of the YMCA Welcome Village units. In 2013, legal titles of the following BRCC units were transferred to the Association and are included in capital assets:

- Melcor YMCA Village;
- Shirley Stollery YMCA Child Care Centre;
- YMCA Family Resource Centre, and;
- A portion of the West Building external structure and parkade (Note 5(a)).

The right to use land asset related to the Melcor YMCA Village has been recorded as an intangible asset (Note 5 (b)), at the estimated fair market value of \$2,526,000, as a proxy for the value of the right-to-use land asset.

In 2016, the Association entered into a long-term lease, to January 31, 2020 for \$1 per year, with the City of Edmonton, relating to the West building access and office administration areas.

The Association will hold title to the Melcor YMCA Village facility for a minimum of twenty years, the period of time that the Association is committed to operating affordable housing services under the terms of the provincial government capital grant.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Notes to the Financial Statements**

December 31, 2018

20. YMCA Welcome Village (cont'd)

In 2013, an agreement was made with CRHC which includes the following:

- Allowing CRHC an option to purchase the Melcor YMCA Village and the related reserve fund for \$10. The option may be exercised at any time prior to January 18, 2034, with a transfer of ownership occurring not before January 18, 2034. The option period may be extended for an additional term of one year or such other period in excess of one year as agreed to by both parties.
- That the Association shall maintain a capital reserve to be used for major capital repairs, the balance of which will be transferred to CRHC if ownership transfers. All expenditures from the reserve are subject to written approval of CRHC.

The Association expects that the option will be exercised and ownership will transfer to CRHC in twenty years and accounts for the current access to the Melcor Village as a long-term operating lease. The Melcor YMCA Village building has been recorded as leasehold improvements, classified with buildings.

The Association allocates 4% of the housing revenue from the facility to the capital reserve, which is recorded as a long-term payable. Funding of the balance of the long-term payable is held in restricted cashable guaranteed investment certificates of \$297,795 (2017 – \$245,929).

21. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)**

Schedule 1 - Operating Expenses

Year Ended December 31	2018	2017
Salaries, wages, and benefits	\$ 41,537,488	\$ 38,148,772
Occupancy	5,927,079	5,759,935
Supplies	3,694,650	3,873,692
Repairs and maintenance	2,578,034	2,512,828
Participant support costs	1,580,528	973,231
Finance and program registration fees	811,414	668,401
Purchased services, and insurance	790,632	829,142
Printing and promotion	759,497	1,027,204
Membership and Association dues	636,988	641,039
Employee and participant travel	500,428	517,143
Telephone and postage	429,551	444,209
Training	404,128	402,781
Bad debts	159,408	200,475
Miscellaneous	60,652	40,691
International program support	<u>27,000</u>	<u>15,000</u>
	<u>\$ 59,897,477</u>	<u>\$ 56,054,543</u>

See accompanying notes to the financial statements

**The Young Men's Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Schedule 2 – Homeward Trust Edmonton and Homeward Trust
Foundation**

Year Ended December 31 2018 2017

The revenues and expenses relating to operating grants from Homeward Trust Edmonton and Homeward Trust Foundation are as follows:

Revenues			
Operating grants – other	\$	1,229,866	\$ 1,096,940
Expenses			
Salaries, wages, and benefits	598,759		567,676
Participant support costs	425,462		336,946
Administration costs	163,787		151,926
Employee and participant travel	22,674		27,080
Miscellaneous	10,541		2,220
Telephone and postage	6,460		8,240
Training	1,364		1,947
Supplies	802		905
Printing and promotion	17		-
	<u>1,229,866</u>		<u>1,096,940</u>
Revenues over expenses	\$	<u>-</u>	\$ <u>-</u>

The continuity of deferred contributions and operating grants is as follows:

Balance, beginning of year	\$	168,123	\$ 124,967
Add: operating grants received		1,226,375	1,140,096
Less: operating grants recognized as revenue		<u>(1,229,866)</u>	<u>(1,096,940)</u>
Balance, end of year	\$	<u>164,632</u>	\$ <u>168,123</u>

See accompanying notes to the financial statements

**The Young Men’s Christian Association of Edmonton
 (Operating as YMCA of Northern Alberta)
 Schedule 3 – The City of Grande Prairie Housing First Centralized
 Assessment**

Year Ended December 31 2018 2017

The revenues and expenses relating to operating grants from The City of Grande Prairie for the Housing First Centralized Assessment program are as follows:

Revenues		
Operating grants – other	\$ 380,730	\$ 367,292
Expenses		
Salaries, wages, and benefits	311,538	302,917
Administration costs	31,470	31,242
Occupancy	18,804	17,823
Telephone and postage	6,770	6,302
Training	4,678	2,765
Participant support costs	3,150	1,804
Supplies	2,595	2,172
Employee and participant travel	1,505	2,267
Printing and promotion	<u>220</u>	<u>-</u>
	<u>380,730</u>	<u>367,292</u>
Revenues over expenses	<u>\$ -</u>	<u>\$ -</u>

The continuity of deferred contributions and operating grants is as follows:

Balance, beginning of year	\$ 32,462	\$ 24,290
Add: operating grants received	387,962	375,464
Less: operating grants recognized as revenue	<u>(380,730)</u>	<u>(367,292)</u>
Balance, end of year	<u>\$ 39,694</u>	<u>\$ 32,462</u>

The Young Men’s Christian Association of Edmonton
(Operating as YMCA of Northern Alberta)
Schedule 4 – Government of Alberta Early Learning Child Care
Centre Funding

Year Ended December 31, 2018

During the year, the Association received \$8,361,455 (2017 - \$nil) in funding from the Government of Alberta towards supporting the operation of nineteen Early Years Child Care Centres.

	Funding Received	Revenue Recognized	Deferred Capital Contributions	Deferred Revenue at End of Year
Access	\$ 189,655	\$ 52,297	\$ 80,580	\$ 56,778
Affordability	6,148,286	3,561,723	-	2,586,563
Quality	728,894	31,133	70,759	627,002
Wage	784,620	476,951	-	307,669
Improvements	<u>510,000</u>	<u>172,578</u>	<u>-</u>	<u>337,422</u>
	<u>\$ 8,361,455</u>	<u>\$ 4,294,682</u>	<u>\$ 151,339</u>	
Deferred interest revenue				<u>119,057</u>
Total deferred revenue at December 31, 2018				<u>\$ 4,034,491</u>

See accompanying notes to the financial statements