YOUNG MEN'S CHRISTIAN ASSOCIATION OF REGINA

Financial Statements

Year Ended August 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Young Men's Christian Association of Regina have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Young Men's Christian Association of Regina's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Finance and Audit Committee. The Finance and Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Finance and Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The financial statements have been audited on behalf of the members by MWC Chartered Professional Accountants LLP, in accordance with Canadian generally accepted auditing standards.

Chief Executive Officer

Treasurer

Regina, Saskatchewan
November 29, 2018

Chartered Professional Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Young Men's Christian Association of Regina

We have audited the accompanying financial statements of Young Men's Christian Association of Regina, which comprise the statement of financial position as at August 31, 2018 and the statement of operations, changes in net assets, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continues)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Young Men's Christian Association of Regina as at August 31, 2018 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MWC LLP

Chartered Professional Accountants

Regina, Saskatchewan
November 29, 2018

YOUNG MEN'S CHRISTIAN ASSOCIATION OF REGINA

Statement of Financial Position

August 31, 2018, with comparative information for 2017

		2018		2017
Assets				
Current assets:				
Cash	$	495,121	$	239,900
Accounts receivable		362,685		321,179
Prepaid expenses		74,807		45,289
		932,613		606,368
Property, plant and equipment (note 3)		10,358,204		11,129,321
Intangible assets (note 4)		223,812		143,539
Endowments (note 5)		161,198		41,289
Assets held in trust (note 6)		135,728		145,090
	$	11,811,555	$	12,065,607
Liabilities and net assets				
Current liabilities:				
Bank indebtedness (note 7)	$	-	$	305,000
Accounts payable and accrued liabilities (note 8)		757,116		1,023,049
Deferred revenue (note 9)		286,641		254,146
Current portion of long term debt (note 7)		267,000		809,000
Due to trust (note 6)		-		103,160
		1,310,757		2,494,355
Long term debt (note 7)		5,129,000		3,411,000
Trust liabilities (note 6)		135,728		145,090
		6,575,485		6,050,445
Net assets		5,236,070		6,015,162
Commitments (note 10)				
Contingent liability (note 11)				
	$	11,811,555	$	12,065,607

See accompanying notes to the financial statements.

On behalf of the Board:

Director

Director

YOUNG MEN'S CHRISTIAN ASSOCIATION OF REGINA

Statement of Operations

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Memberships	$ 4,654,890	$ 4,590,306
Assisted membership fees (note 12)	(328,179)	(298,789)
	4,326,711	4,291,517
Childcare fees	4,303,927	3,665,689
Grant funding (note 13)	2,101,829	1,834,036
Program fees (note 12)	590,536	613,172
Program administration services (note 6)	506,612	293,629
Merchandise, rental and other revenue	201,329	237,589
Donations	119,068	289,030
United Way	52,839	80,436
Endowment donations	5,208	120,355
Endowment earnings (note 5)	7,554	2,195
Restricted capital donations	50,000	149,834
Restricted capital grant funding	746	129,254
	12,266,359	11,706,736
Expenses:		
Salaries, wages and benefits	8,635,969	7,660,837
Amortization of property, plant and equipment	1,015,027	1,054,006
Program supplies	824,555	686,128
Utilities	514,611	468,285
Rent	369,150	392,403
Facility cleaning and maintenance	317,164	261,488
Office and administration	277,563	245,977
Building repairs	250,798	125,659
Interest	166,505	112,360
YMCA Canada allocations	156,370	154,180
Professional fees	128,312	115,920
Bank charges	122,003	109,849
Staff and volunteer training and development	86,439	110,186
Travel and conferences	68,053	62,048
Marketing	64,778	67,215
Bad debts	42,083	71,910
Miscellaneous and other	4,160	10,815
Fundraising	1,911	12,725
	13,045,451	11,721,991
Deficiency of revenue over expenses	$ (779,092)	$ (15,255)

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF REGINA

Statement of Changes in Net Assets

Year ended August 31, 2018, with comparative information for 2017

August 31, 2018	**Unrestricted Fund**	**Restricted Capital Fund**	**Endowment Fund**	**Total**
Balance, beginning of year	$ 5,861,518	$ -	$ 153,644	$ 6,015,162
Excess (deficiency) of revenue over expenses	(842,600)	50,746	12,762	(779,092)
Interfund transfers (note 14)	50,746	(50,746)	-	-
Balance, end of year	$ 5,069,664	$ -	$ 166,406	$ 5,236,070

August 31, 2017	**Unrestricted Fund**	**Restricted Capital Fund**	**Endowment Fund**	**Total**
Balance, beginning of year	$ 5,999,323	$ -	$ 31,094	$ 6,030,417
Excess (deficiency) of revenue over expenses	(416,893)	279,088	122,550	(15,255)
Interfund transfers (note 14)	279,088	(279,088)	-	-
Balance, end of year	$ 5,861,518	$ -	$ 153,644	$ 6,015,162

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF REGINA

Statement of Cash Flows

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (779,092)	$ (15,255)
Items not involving cash:		
Amortization of property, plant and equipment	1,015,027	1,054,006
Change in non-cash operating working capital:		
Accounts receivable	(41,506)	(44,527)
Prepaid expenses	(29,518)	25,213
Accounts payable and accrued liabilities	(265,933)	452,326
Deferred revenue	32,495	(11,697)
	(68,527)	1,460,066
Investing:		
Purchase of property, plant and equipment	(243,910)	(646,050)
Purchase of intangible assets	(80,273)	(143,539)
Net endowment activity	(119,909)	(10,195)
	(444,092)	(799,784)
Financing:		
Change in due to trust	(103,160)	(49,100)
Proceeds from bank indebtedness	-	305,000
Repayment of bank indebtedness	(305,000)	-
Proceeds from long term debt	5,500,000	999,000
Repayment of long term debt	(4,324,000)	(2,500,012)
	767,840	(1,245,112)
Increase (decrease) in cash	255,221	(584,830)
Cash, beginning of year	239,900	824,730
Cash, end of year	$ 495,121	$ 239,900

See accompanying notes to the financial statements.

1. Nature of operations:

The Young Men's Christian Association of Regina (the "Association") is open to all and dedicated to enriching our community and individuals at every stage of life. It is a value-based builder of health, leadership and personal development. The Association operates three facilities and a variety of program sites in the community of Regina, Saskatchewan and is a registered charity which is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Association's significant accounting policies are as follows:

(a) Fund accounting:

The Association follows the restricted fund method of accounting for contributions, which includes donations, grants and sponsorships. The Association records its activities in the following funds:

Unrestricted fund

The unrestricted fund is established for the general operations of the Association. All operational transactions, including those of a capital nature, are recorded in the accounts of this fund.

Restricted capital fund

The restricted fund is established to record externally restricted contributions and revenues specifically designated for property renewals, replacements and development.

Endowment fund

The endowment fund is established to record resources contributed for endowment. Contributions to this fund are held in perpetuity with the earnings available for use as restricted by the contributor.

(b) Revenue recognition:

Restricted contributions related to general operations are recognized as revenue in the unrestricted fund when the related expenses are incurred. All other restricted contributions are recognized as revenue of the restricted fund when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions are recognized as revenue in the unrestricted fund in the year they are receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued):

(b) Revenue recognition (continued):

Program revenue including membership fees, rental revenue, program administrative services fees and other revenue are recognized as revenue in the unrestricted fund when the service is provided and that collection is reasonably assured. Interest income is recognized in the period earned.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Subsequently they are recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Association has elected to carry its endowment assets at fair value. Changes in fair value are recognized in the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Association determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected amount or timing of future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Association expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Property, plant and equipment:

Property, plant and equipment is recorded at cost. Amortization is calculated using the straight-line method over their estimated useful lives as follows:

Asset	Rate
Buildings	20-40 years
Equipment	3-4 years
Leasehold improvements	Amortized over the life of the lease

A full year of amortization is taken in the year of acquisition and no amortization is taken in the year of disposal.

2. Significant accounting policies (continued):

(d) Intangible assets:

Intangible assets are comprised of a membership database and revenue tracking software (DfM software). Intangible assets are recorded at cost and amortized using the straight-line method over the estimated useful life. No amortization was taken in the current year as the asset is not yet in use.

(e) Contributed services:

The Association is dependent on the voluntary services of many people. Since these services are not normally purchased by the Association and because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

(f) Employee future benefits:

The Association and certain employees make contributions to the YMCA Canada Pension Plan, a defined contribution multi-employer pension plan. The Association's contributions are expensed as incurred. Eligible employees include full-time employees who may join the plan after two years and must join after three years of service, and part-time employees who may join the plan after earning certain levels of income for two consecutive years.

For the year ended August 31, 2018, the Association contributed and expensed $208,691 (2017 - $165,894) with respect to this plan.

(g) Interest rate swaps:

The Association uses interest rate swaps to manage fluctuations in interest rates on its banker's acceptances. The Association has not elected to use hedge accounting as the expected change in interest rates during the holding period is not significant due to the short-term nature of the banker's acceptances held. The amount owing under the swap agreement is recorded at fair market value at year end.

(h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions includes the carrying amount of accounts receivable and the estimated useful lives of property plant and equipment, and intangible assets.

3. Property, plant and equipment:

	Cost	Accumulated amortization	2018 Net Book Value	2017 Net Book Value
Land	$ 341,268	$ -	$ 341,268	$ 341,268
Buildings	14,738,954	6,135,540	8,603,414	8,755,323
Equipment	1,416,152	967,708	448,444	745,967
Leasehold improvements	1,930,145	965,067	965,078	1,286,763
	$ 18,426,519	$ 8,068,315	$ 10,358,204	$ 11,129,321

4. Intangible assets:

	Cost	Accumulated amortization	2018 Net Book Value	2017 Net Book Value
DfM software	$ 223,812	$ -	$ 223,812	$ 143,539

No amortization was taken as the software is not yet in use at year end.

5. Endowments:

The South Saskatchewan Community Foundation Inc. (SSCF), an independent agency, manages the assets of the Association's endowment fund.

The fair value of the assets invested with SSCF as at August 31, 2018 is $161,198 (2017 - $41,289). The Association is allocated a portion of the earnings on investments managed by SSCF based on their relative holdings of the SSCF managed funds. For the year ended August 31, 2018 investment earnings from SSCF were $7,554 (2017 - $2,195).

6. Trust fund:

The Association has agreements to administer in trust three projects under the National Homelessness Initiative which is funded by Human Resources and Skills Development Canada (HRSDC). As part of the agreements, the Association receives amounts from HRSDC and is required to provide the funding to participants under the direction of a third party advisory board. The Association does not have any control over the funds other than ensuring payments are in compliance with the agreements.

6. Trust fund (continued):

All proceeds received under the agreements are deposited into a separate bank account. All costs are paid out of the Association's bank account. Periodic transfers are done between the bank accounts for these transactions which results in amounts owing from (to) the trust fund. Effective April 1, 2018 all expenses related to the 2018-19 funding year are being paid out of the separate bank account.

Included in the trust fund balance for 2018 is $30,000 (2017 - nil) of unspent funds received from the City of Regina for the Plan to End Homelessness.

	2018	2017
Trust fund assets:		
Due (to) from YMCA of Regina	$ (70,000)	$ 103,160
Cash	205,728	41,930
	135,728	145,090
Trust fund liabilities:		
Trust fund liability	(135,728)	(145,090)
	$ -	$ -

The table below summarizes the trust fund activity throughout the year. Only the project administration fees payable to the Association for services provided under the agreements are included in the Statement of Operations. These fees cover expenses incurred by the Association for program staff salaries, wages and benefits, travel and conferences, marketing, professional fees, and other administrative expenses of the program.

	2018	2017
Trust assets, beginning of year	$ 145,090	$ 341,639
Funding received	2,979,677	2,448,290
Programming costs	(2,482,427)	(2,351,210)
Project administration fees	(506,612)	(293,629)
	(9,362)	(196,549)
Trust assets, end of year	$ 135,728	$ 145,090

7. Credit facilities:

		2018		2017
Credit facility 2, 3 (2017) and 4:				
Banker's acceptance	$	-	$	4,220,000
Credit facility 3 (2018):				
Banker's acceptance		5,396,000		-
		5,396,000		4,220,000
Less: current portion of long term debt		267,000		809,000
	$	5,129,000	$	3,411,000

The Association has the following credit facilities with the Royal Bank of Canada:

Facility 1 is a $350,000 revolving demand facility available in increments of $5,000 bearing interest at Royal Bank Prime plus 1.00%. As at August 31, 2018 no funds (2017 - $305,000) were drawn on this facility.

Facility 3 (2018) is a $5,500,000 non-revolving term facility drawn by way of banker's acceptances. As at August 31, 2018 the Association holds banker's acceptances bearing interest at 2.42% fixed rate and a 1.50% stamping fee, repayable in quarterly installments ranging from $66,000 to $88,000.

Facilities 2, 3 (2017) and 4 were non-revolving term facilities drawn by way of banker's acceptances. Prior to cancellation on July 9, 2018, the Association held banker's acceptance under the pre-existing facilities bearing interest at fixed rates ranging from 1.156-1.25%, and stamping fees ranging from 1.06-1.26%. The banker's acceptances were repayable in monthly installments ranging from $40,000 to $45,000 and quarterly installments ranging from $72,000 to $74,000.

The Association also has a VISA Business credit facility up to a maximum of $80,000.

The Association's bank indebtedness and long term debt owing to the Royal Bank of Canada are secured by a general security agreement representing a first charge on all of the Association's property and mortgage collateral on the Association's downtown real property. The carrying value of the Association's real property is included in Note 3.

Principal repayments for the next five year and thereafter are as follows:

2019	$	267,000
2020		278,000
2021		291,000
2022		304,000
2023		317,000
Thereafter		3,939,000

7. Credit facilities (continued):

Subsequent to yearend, the Association borrowed an additional $500,000 in the form of a variable rate term loan to fund capital repairs. The new loan is secured by a $1,250,000 mortgage on the Association's northwest real property.

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $31,491 (2017 - $75,235), which includes amounts payable for federal and provincial sales taxes, and payroll taxes.

9. Deferred revenue:

	2018	2017
Membership fees	$ 154,824	$ 169,622
Grants	90,328	15,120
Program fees	24,815	53,020
Other	16,674	16,384
	$ 286,641	$ 254,146

10. Commitments:

The Association is committed under leases for rent and equipment and with service contracts over the next five years as follows:

2019	$ 432,922
2020	428,467
2021	268,020
2022	-
2023	-

The Association has entered into an agreement with other YMCA's of Canada to develop the DfM Software. The remaining expected commitment for the Association is as follows:

2019	$ 24,335
2020	21,074
2021	21,074
2022	1,756

11. Contingent liability:

The Association is involved in litigation relating to a wrongful dismissal claim. The Association does not expect the outcome to result in any material financial impact.

12. Membership and program assistance:

The Association sponsors qualifying individuals and families through the Membership Assistance Program. The value of the assisted fees are excluded from the Association's revenue.

	2018	2017
Assisted membership fees	$ 328,179	$ 298,789
Assisted program fees	15,046	14,907
	$ 343,225	$ 313,696

13. Grant funding:

	2018	2017
Provincial funding (childcare grants)	$ 1,652,687	$ 1,344,751
Non-government funding	335,540	422,661
Federal funding	113,602	66,624
	$ 2,101,829	$ 1,834,036

14. Interfund transfers:

For the year ended August 31, 2018, $50,746 (2017 - $279,088) has been transferred from the restricted capital fund to the unrestricted fund for the purchase of capital assets.

15. Financial risks and concentration of risk:

The Association faces certain financial risks such as interest rate, credit risk, and liquidity risk which can impact financial performance.

Interest rate risk

The Association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities. To manage this risk, the Association uses interest rate swap agreements to fix in the interest rates of the bankers' acceptances at 2.42% with a maturity of July 7, 2025.

15. Financial risks and concentration of risk (continued):

Credit risk

The Association's cash and accounts receivable are not subject to any significant concentration of credit risk. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The carrying amounts of the financial assets in the statement of financial position represent the Association's maximum credit exposure as at the statement of financial position date. The credit risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

Liquidity risk

The Association manages its liquidity risk by maintaining adequate cash, having access to operating lines of credit, preparing operating budgets and reviewing cash flow needs on a regular basis.

15. Corresponding figures:

The financial statements have been reclassified, where applicable, to conform to the current year's presentation.