

The Audited Financial Statements of:
YMCA OF YARMOUTH
Year ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of YMCA of Yarmouth:

Adverse Opinion

We have audited the accompanying financial statements of the YMCA of Yarmouth, which are comprised of the statement of financial position as at December 31, 2019, the statements of operations, net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, because of the concerns regarding going concerns as mentioned in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not present fairly, the financial position of the YMCA of Yarmouth as at December 31, 2019, and its results of operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Adverse Opinion

We draw attention to note 12 in the financial statements, which indicates that the Association incurred a net loss of \$41,903 during the year ended December 31, 2019 and, as of that date, the Association's current liabilities exceeded its current assets by \$111,084. As stated in note 12, these events or conditions, along with other matters set forth in note 12, indicate that a material uncertainty exists that cast doubt on the Association's ability to continue as a going concern. The financial statements have been prepared on the going concern basis, which we believe is inappropriate as the Association is projecting insufficient cash flow to discharge its liabilities.

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, 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 adverse opinion.

Key Audit Matters

The financial statements of the Association for the year ended December 31, 2018 were audited by another auditor who expressed a qualified opinion on those statements on June 4, 2019.

Common with many charitable organizations, the YMCA of Yarmouth derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Association and we are not able to determine whether any adjustments might be necessary to donation and fundraising revenue, and any related impact on excess of revenue over expenditures, net assets, cash flow from operations, or related statement of financial position balances.

Except for the matter described in the Basis for Adverse Opinion section of our report, and the matters noted above, we have determined that there are no other key audit matters to communicate in our report.

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 controls 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.

Auditors' Responsibility

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 auditors' 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 judgement 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 controls 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 auditors' 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 auditors' 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.

Yarmouth, Nova Scotia
May 26, 2020

White Perkins Associates
Chartered Professional Accountants

YMCA OF YARMOUTH

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2019

	2019	2018
ASSETS		(note 14)
CURRENT		
Cash	\$13,194	\$10,450
Restricted cash (note 4)	159,662	161,933
Short-term investments (note 5)	1,000	1,000
Accounts receivable (note 6)	30,109	36,676
	<u>203,965</u>	<u>210,059</u>
PROPERTY AND EQUIPMENT (note 7)	<u>1,670,784</u>	<u>1,751,639</u>
	<u><u>\$1,874,749</u></u>	<u><u>\$1,961,698</u></u>
	2019	2018
LIABILITIES AND NET ASSETS		(note 14)
CURRENT LIABILITIES		
Accounts payable and accrued operating liabilities	\$107,956	\$111,177
Accrued lottery liabilities	159,662	161,933
Government remittances payable	6,558	5,878
Due to YMCA of Southwest Nova Scotia (note 9)	12,138	16,454
Deferred revenue	28,735	25,736
	<u>315,049</u>	<u>321,178</u>
DEFERRED CAPITAL CONTRIBUTIONS (note 10)	<u>869,732</u>	<u>909,459</u>
Total liabilities	1,184,781	1,230,637
NET ASSETS		
Unrestricted	(111,084)	(111,119)
Invested in property and equipment (note 11)	801,052	842,180
Total net assets	689,968	731,061
	<u><u>\$1,874,749</u></u>	<u><u>\$1,961,698</u></u>

Going concern (note 12)

Subsequent events (note 13)

Approved by:

Director: _____ Director: _____

YMCA OF YARMOUTH
STATEMENT OF OPERATIONS
Year ended December 31, 2019

	2019 Budget	2019	2018
REVENUE			
Memberships	\$469,840	\$455,361	\$453,498
Donations	37,000	66,004	24,741
Lottery fundraiser (see schedule)	104,350	115,774	83,154
Interest income	-	14	797
Government revenue	115,500	132,803	89,997
	726,690	769,956	652,187
EXPENSES			
Salaries and benefits	360,055	389,240	367,417
Utilities	136,300	141,236	128,814
Management services (note 9)	70,125	70,601	73,724
Supplies	34,500	42,131	39,681
Repairs and maintenance	23,800	18,319	23,565
Active fees	16,750	16,777	20,456
Office	22,640	16,463	17,314
YMCA Canada association fees	11,520	11,512	11,426
Insurance	10,200	10,239	9,814
Interest and bank charges	9,800	10,257	6,815
Travel	4,000	3,918	3,091
Staff and volunteer development	2,750	3,662	2,864
Advertising and promotion	2,200	1,520	871
Bad debt	2,000	1,622	1,985
Professional fees	9,000	5,925	7,307
Telephone and communications	4,800	4,988	5,018
	720,440	748,410	720,162
Excess (deficiency) before undernoted	6,250	21,546	(67,975)
OTHER REVENUE (EXPENSES)			
Amortization of deferred capital contributions	-	39,727	42,254
Depreciation of property and equipment	-	(80,933)	(84,589)
Loss on disposition of property and equipment		(21,433)	-
Loss on disposition of marketable securities	-	-	(5,822)
	-	(62,639)	(48,157)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES			
	<u>\$6,250</u>	<u>(\$41,093)</u>	<u>(\$116,132)</u>

YMCA OF YARMOUTH
 STATEMENT OF NET ASSETS
 Year ended December 31, 2019

	Invested in property and equipment (note 14)	Unrestricted (note 14)	2019	2018
Net assets at beginning of year	\$842,180	(\$111,119)	\$731,061	\$847,193
Excess (deficiency) of revenue over expenses	(62,639)	21,546	(41,093)	(116,132)
Capital asset additions	21,511	(21,511)	-	-
NET ASSETS AT END OF YEAR	\$801,052	(\$111,084)	\$689,968	\$731,061

YMCA OF YARMOUTH
STATEMENT OF CASH FLOW
Year ended December 31, 2019

	2019	2018
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(\$41,093)	(\$116,132)
Add back items which do not involve the use of cash		
Amortization of deferred capital contributions	(39,727)	(42,254)
Depreciation of property and equipment	80,933	84,589
Loss on disposal of assets	21,433	-
Loss on disposition of marketable securities	-	5,822
	<u>21,546</u>	<u>(67,975)</u>
Changes in non-cash working capital		
Accounts receivable	6,567	(537)
Accounts payable and accrued operating liabilities	(3,221)	(30,803)
Accrued lottery liabilities	(2,271)	(11,467)
Government remittances payable	680	5,878
Due to YMCA of Southwest Nova Scotia	(4,316)	(12,746)
Deferred revenue	2,999	(674)
	<u>21,984</u>	<u>(118,324)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(21,511)	(38,276)
Proceeds from sale of investments	-	51,184
	<u>(21,511)</u>	<u>12,908</u>
Increase (decrease) in cash flow	473	(105,416)
Cash position at beginning of year	172,383	277,799
CASH POSITION AT END OF YEAR	<u>\$172,856</u>	<u>\$172,383</u>
Cash is comprised of:		
Cash	\$13,194	\$10,450
Restricted cash	<u>159,662</u>	<u>161,933</u>
	<u>\$172,856</u>	<u>\$172,383</u>

YMCA OF YARMOUTH
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2019

1. GENERAL

The YMCA of Yarmouth (the "Association") is incorporated under the Societies Act of Nova Scotia. The Association is a not-for-profit organization which operates recreation facilities and education programs dedicated to the growth of persons in spirit, mind, and body.

The Association is a registered charity under the Income Tax Act of Canada, and as such is exempt from income tax and may issue tax receipts to donors.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Financial reporting framework

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Fund Accounting

The Association follows the deferral method of accounting for contributions and uses two funds to record its transactions:

(i) Operating Fund

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

(ii) Capital Fund

Donations restricted by the donor for specific purposes, in addition to other amounts internally restricted by the Board of Directors are reported in the Capital Fund. Investment income earned on the resources of the Capital Fund are recorded as income of the Capital Fund. Amortization of deferred capital contributions relating to assets of the Capital Fund are recorded as income of the Capital Fund.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and operating lines of credit. Restricted cash consists of cash subject to internal or external spending restrictions.

(d) Revenue recognition

The Association follows the deferral method, whereby unrestricted contributions are recognized as revenue when received. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Significant sources of revenue are accounted for as follows:

(i) Memberships, program fees, and rentals

Memberships, program fees, and rentals are recognized as revenue proportionately over the fiscal year to which they relate. If paid in advance, payments received for memberships, program fees, and rentals are recorded as deferred revenue and taken into revenue as service is provided.

YMCA OF YARMOUTH
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Externally restricted contributions

Amounts received and externally restricted by the contributor are recorded as deferred revenue until such time that revenue is earned or when the related expenses are incurred. Contributions received for depreciable property and equipment are recorded under deferred capital contributions and are taken into income as amortization at the same rate as the property and equipment asset is depreciated.

(iii) Unrestricted contributions

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

(iv) Endowment contributions

Contributions received for endowment purposes are recognized as direct increases to net assets.

(v) Investment income

Restricted net investment income is recorded as revenue in the year in which the related expenses are incurred. Restricted net investment income that must be added to the principal amount of resources held for endowment is recognized as a direct increase in net assets when earned. Unrestricted net investment income is recognized as revenue when earned.

(vi) Lottery tickets

Sales of lottery tickets are recognized as revenue at the time of the sale, net of a provision for bad debts. Lottery expenses related to the ticket sales are accrued and recorded in the period the tickets are sold.

(e) Property and equipment

Land, buildings, and equipment are recorded at cost. Contributed property and equipment is recorded at its fair value at the time of the contribution. Depreciation is provided on the declining balance basis at the following annual rates:

Buildings	4%
Equipment	20%

(f) Contributed goods and services

The Association does not record donated goods or services related to general operating funds. Volunteers contribute an indeterminable number of hours per year. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Significant items subject to such estimates and assumptions include the estimated useful life of buildings and equipment and accrual of lottery fundraiser prize expense. Actual results could differ from those estimates.

YMCA OF YARMOUTH
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2019

3. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, restricted cash, short-term investments, accounts receivable, bank indebtedness, accounts payable, accrued liabilities, and government remittances payable. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost. Changes in fair value are recognized in the Statement of Operations in the period incurred.

When financial assets are determined to be impaired, the carrying amount is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. Such impairments can be reversed if the value subsequently improves.

These financial instruments expose the YMCA to certain financial risks and uncertainties, disclosed as follows:

(a) Credit risk

The YMCA is exposed to credit risk on the accounts receivable from its members. The Association is subject to geographical concentration of credit risk on all of its accounts receivable due to its operations being solely based in Yarmouth. Credit risk among members is mitigated through a diverse member base and the relatively small value of individual transactions. Credit risk on receivables from organizations is limited as those receivables are primarily from the municipalities and the Provincial government.

(b) Liquidity risk

Liquidity risk is the risk that the Association will be unable to meet its obligations associated with financial liabilities. Cash flow from operations provides a significant portion of the Association's cash requirements. Additional cash requirements are met through contributions from local municipalities, government grants, donations, the Y-12 lottery, and the use of the available operating line of credit (as described in note 8). The available operating line of credit facility provides flexibility in the short-term to meet operational needs and bridge long-term financing. The Association's credit arrangement is concentrated with a single Canadian financial institution.

4. RESTRICTED CASH

Restricted cash consists of cash held in connection with the Association's annual lottery revenue. The amount is held on deposit in a non-interest bearing account.

5. INVESTMENTS	2019	2018
Investments, carried at cost, are comprised of the following:		
Royal Bank of Canada, mutual funds	\$1,000	\$1,000

YMCA OF YARMOUTH
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2019

6. ACCOUNTS RECEIVABLE	2019	2018
Trade accounts receivable	\$30,653	\$31,277
HST receivable	1,049	7,601
	<hr/>	<hr/>
	31,702	38,878
Allowance for doubtful accounts	1,593	2,202
	<hr/>	<hr/>
	\$30,109	\$36,676

7. PROPERTY AND EQUIPMENT		2019		2018	
		Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land		\$1,051	\$ -	\$1,051	\$1,051
Buildings		3,557,096	1,954,802	1,602,294	1,669,057
Equipment		732,892	665,453	67,439	81,531
		\$4,291,039	\$2,620,255	\$1,670,784	\$1,751,639

8 BANK OPERATING LOAN	2019	2018
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The Association has a bank operating line of credit with a limit of \$100,000, secured by a general security agreement bearing an interest rate of prime plus 1.80%. The balance as at December 31, 2019 is nil (2018 - nil).

9. RELATED PARTY TRANSACTIONS 2019 2018

The Association is related to the YMCA of Southwest Nova Scotia as a result of shared CEO, CFO, and facility director services. During the year, the Association had the following transaction with the YMCA of Southwest Nova Scotia:

Management services expense \$62,815 \$64,500

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The balance due on these transactions, as noted below, is separately disclosed in the Statement of Financial Position.

Due to YMCA of Southwest Nova Scotia \$12,138 \$16,454

YMCA OF YARMOUTH
 NOTES TO FINANCIAL STATEMENTS
 Year ended December 31, 2019

10. DEFERRED CAPITAL CONTRIBUTIONS	2019	2018
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Deferred capital contributions represent the unamortized portion of funding received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the Statement of Operations, and is calculated on the same basis as the related asset is depreciated. The changes in the deferred capital contribution balance are as follows:

Balance at beginning of year	\$909,459	\$951,713
Less amortization of deferred capital contributions	39,727	42,254
Balance at end of year	<u>\$869,732</u>	<u>\$909,459</u>

11. INVESTED IN PROPERTY AND EQUIPMENT	2019	2018
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This balance is comprised of the following accounts carried on the Statement of Financial position:

Property and equipment	\$1,670,784	\$1,751,639
Less Deferred capital contributions	869,732	909,459
	<u>\$801,052</u>	<u>\$842,180</u>

12. GOING CONCERN

The financial statements are prepared on a going concern basis, which assumes that the Association will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

In recent years, the Association has experienced significant operating losses. During the 2019 year ended, the Association incurred a net loss of \$41,093 and as at December 31, 2019 its current liabilities exceed its current assets by \$111,088. Whether the Association can maintain balanced operations and generate sufficient cash flow to cover its operating losses is uncertain.

In addition to this, subsequent to year-end management obtained a building condition assessment. The results of this assessment were that \$5.3 million in capital improvements would be required over the next ten years with \$1.5 million being required immediately. Management currently has no confirmed source for these funds.

The significant capital requirements coupled with the forecasted 2020 deficit and the unknown financial effects to be caused by the COVID-19 shutdown casts significant doubt on the entity's ability to continue as a going concern.

Future operations are contingent on the Association developing a plan and obtaining required funding to cover estimated future operating and capital costs.

YMCA OF YARMOUTH
NOTES TO FINANCIAL STATEMENTS
Year ended December 31, 2019

13. SUBSEQUENT EVENTS

Effective March 2, 2020, the agreement between the YMCA of Yarmouth and the YMCA of Southwest Nova Scotia for shared CEO and CFO services came to an end and will not be renewed.

The YMCA of Yarmouth has appointed Darryl McKenzie as Interim CEO. As part of his duties Darryl will begin the search for someone to take over the CFO position. The Board of the YMCA of Southwest Nova Scotia has agreed to assist in this transition.

Further, subsequent to year end, the COVID-19 pandemic caused a downturn in both the local and global economies resulting in a state of emergency being declared in Nova Scotia. As part of this state of emergency, all non-essential businesses including fitness/recreation facilities were ordered to shut down. This resulted in the Association ceasing all operations indefinitely effective March 16, 2020. As of the date of this audit report, the Association has not yet re-opened these operations.

In addition, the Association has been left a material bequest to its Endowment Fund. The amount is unknown, as the deceased's estate is in process of being settled. During April 2020, \$50,000 of this bequest was received as requested to help the Association manage its cash-flow during the COVID-19 related shutdown. As permitted by the Executor and Estate lawyer, the Association spent the early \$50,000 disbursement on operating costs.

14. COMPARATIVE BALANCES

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation adopted for the current year.

YMCA OF YARMOUTH
 SCHEDULE TO FINANCIAL STATEMENTS
 Year ended December 31, 2019

LOTTERY FUNDRAISER	2019	2018
Ticket sales	\$390,855	\$356,300
Expenditures		
Prizes	197,564	197,890
Selling commissions	14,179	14,483
Bank charges	4,554	3,896
Salaries and benefits	12,314	10,924
Advertising and promotion	41,350	40,941
Lottery taxes	4,208	3,835
Office expenses	912	1,177
Professional fees	-	-
Over accrual of prior year expenses	-	-
	275,081	273,146
EXCESS - REVENUE OVER EXPENDITURES	<u><u>\$115,774</u></u>	<u><u>\$83,154</u></u>