

**YMCA OF NORTHEAST AVALON INC.**  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2020



**YMCA OF NORTHEAST AVALON INC.**  
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**AUGUST 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of YMCA of Northeast Avalon Inc.

### *Qualified Opinion*

I have audited the financial statements of YMCA of Northeast Avalon Inc., which comprise the statement of financial position as at August 31, 2020, 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 my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of YMCA of Northeast Avalon Inc. as at August 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Qualified Opinion*

In common with many charitable organizations, the YMCA of Northeast Avalon Inc. derives revenue from donations 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 entity and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, deferred capital contributions, current assets and net assets as at August 31, 2019.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 organization'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 organization or to

## INDEPENDENT AUDITOR'S REPORT, continued

cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 organization'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 organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the organization 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.

**INDEPENDENT AUDITOR'S REPORT, continued**

- ♦ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the organization to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

St. John's, NL, Canada  
December 16, 2020

  
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**DOUGLAS M. KIRBY**  
**CHARTERED PROFESSIONAL**  
**ACCOUNTANT**

**YMCA OF NORTHEAST AVALON INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>		
General Administration	\$ 885,284	\$ 459,090
Philanthropy	141,904	319,420
Regional Development Centre	167,564	331,207
Health, Fitness & Recreation and Childcare	4,333,736	5,492,569
Enterprise Projects	629,631	388,253
	<b>6,158,119</b>	<b>6,990,539</b>
<b>EXPENDITURES</b>		
General Administration	762,549	997,716
Philanthropy	31,060	169,233
Health, Fitness & Recreation & Childcare	3,413,395	4,061,886
Enterprise Projects	582,175	373,150
Regional Development Centre	167,564	331,207
	<b>4,956,743</b>	<b>5,933,192</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS</b>	<b>1,201,376</b>	<b>1,057,347</b>
<b>OTHER EXPENSES</b>		
Amortization	746,997	771,691
Interest on callable debt	508,695	506,268
Interest on obligations under capital lease	9,182	43,823
Writedown of software development costs - note 2	-	371,425
	<b>1,264,874</b>	<b>1,693,207</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (63,498)</b>	<b>\$ (635,860)</b>

**YMCA OF NORTHEAST AVALON INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2020**

	2020	2019
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Accounts receivable - note 3	\$ 423,473	\$ 229,843
Inventory	24,274	26,309
Prepaid expenses	51,011	46,452
	<u>498,758</u>	<u>302,604</u>
<b>INTANGIBLE ASSETS - note 4</b>	<b>98,023</b>	<b>-</b>
<b>PROPERTY, PLANT AND EQUIPMENT - notes 4 and 5</b>	<b>13,427,434</b>	<b>14,128,085</b>
	<u>\$ 14,024,215</u>	<u>\$ 14,430,689</u>

<b><u>LIABILITIES</u></b>		
<b>CURRENT</b>		
Bank indebtedness - note 6	\$ 338,724	\$ 391,240
Accounts payable and accrued liabilities - note 7	564,038	321,719
Deferred revenue - note 8	430,994	359,734
Current portion of callable debt	332,700	420,585
Current portion of capital lease obligations	148,316	181,733
Current liabilities before callable debt	1,814,772	1,675,011
Callable debt - note 9	7,897,496	8,061,043
<b>Total Current Liabilities</b>	<b>9,712,268</b>	<b>9,736,054</b>
<b>CAPITAL LEASE OBLIGATIONS - note 10</b>	<b>90,513</b>	<b>172,478</b>
<b>DEFERRED REVENUE - BUILDING CAPITAL FUND - note 11</b>	<b>5,693,441</b>	<b>5,930,666</b>
	<u>15,496,222</u>	<u>15,839,198</u>
<b>NET ASSETS</b>	<b>(1,472,007)</b>	<b>(1,408,509)</b>
	<u>\$ 14,024,215</u>	<u>\$ 14,430,689</u>

APPROVED ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Director

  
 \_\_\_\_\_ Director

Dec 23, 2020 Date

**YMCA OF NORTHEAST AVALON INC.**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>BALANCE, BEGINNING OF YEAR</b>	\$ (1,408,509)	\$ (772,649)
Deficiency of revenues over expenditures	(63,498)	(635,860)
<b>BALANCE, END OF YEAR</b>	<u>\$ (1,472,007)</u>	<u>\$ (1,408,509)</u>



**YMCA OF NORTHEAST AVALON INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenditures	\$ (63,498)	\$ (635,860)
Items not affecting cash		
Amortization	746,997	771,691
Writedown of software development costs - note 2	-	371,425
	683,499	507,256
Changes in non-cash working capital		
(Increase) decrease in accounts receivable	(193,630)	75,890
Decrease (increase) in inventory	2,035	(1,123)
Increase in prepaid expenses	(4,559)	(12,397)
Increase (decrease) in accounts payable and accrued liabilities	242,319	(249,673)
Increase in deferred revenue	71,260	106,302
	800,924	426,255
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(108,915)	(83,860)
Purchase of property, plant and equipment	(35,454)	(17,298)
	(144,369)	(101,158)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of callable debt	(1,861,146)	(301,520)
Proceeds of callable debt	1,609,714	600,000
Repayment of capital lease obligations	(115,382)	(198,027)
Deferred revenue - building capital fund	(237,225)	(247,060)
	(604,039)	(146,607)
<b>DECREASE IN BANK INDEBTEDNESS</b>	52,516	178,490
<b>BANK INDEBTEDNESS, BEGINNING OF YEAR</b>	(391,240)	(569,730)
<b>BANK INDEBTEDNESS, END OF YEAR</b>	\$ (338,724)	\$ (391,240)

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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**1. NATURE OF OPERATIONS**

YMCA of Northeast Avalon Inc. (the "Association") was incorporated under the Corporations Act of Newfoundland and Labrador. The Association operated through various instruments since 1854 and has been a charity dedicated to strengthening the foundations of communities by nurturing the potential of children, teens and young adults; promoting healthy living; and fostering social responsibility. By focusing on inclusiveness and accessibility, people of all ages, backgrounds and abilities are served through all stages of life. Through YMCA financial assistance programs, the YMCA is accessible to all. Core offerings include: Childcare, Camping, Aquatics, Health & Fitness, Education, Employment Services, Newcomer Services, Volunteer Development, Global Initiatives and Opportunities to Give. The Association is a registered charity under the Income Tax Act of Canada.

The Association controls various programs and funded projects throughout the Province of Newfoundland and Labrador. Programs and projects are open to everyone and no one is turned away for inability to pay fees. Programs and projects include:

a) Health, Fitness and Aquatics Membership at the Ches Penney Family YMCA and Marystown YMCA locations where revenue is fee for service.

b) Children's Services - licensed child care, children's programs, and day camps at various locations. Revenue is fee for service through funding arrangements with the Province of Newfoundland and Labrador.

c) Enterprise Programs - established to assist individuals in the development of business plans and provide counselling to help determine the viability of businesses. Partially funded by the Atlantic Canada Opportunities Agency, this program started in May 2015.

d) Enterprise Olympics - established for high school age students in Newfoundland and Labrador and funded by Employment and Social Development Canada, Atlantic Canada Opportunities Agency, Department of Education - Province of Newfoundland and Labrador and Department of Innovation, Business and Rural Development - Province of Newfoundland and Labrador.

e) From time to time other programs may be undertaken when funded by external sources. Included in these results are four such programs - Women in Technology, Media Mentors, Y Digital, Youth Community Action Network (YCAN), International Student Development, Opportunity for All Youth, Youth Guided Employment Opportunities and Food Sharing Programs.

f) Charitable contributions - to fund capital and operating expenses including the YMCA Assistance program.

On October 1, 2015 the Association entered into a twenty year operating agreement commencing April 1, 2016 with the Town of Marystown to offer YMCA programs and services at the YMCA facility in the Town of Marystown. The agreement is renewable for an additional period of up to twenty years.

In support of the Association's operations, the Town of Marystown shall provide funding to cover actual operating deficits, if any, incurred by the Association during the term of the Agreement. This funding will occur by way of a monthly operating grant equal in amount to such deficits, if any, determined monthly.

Funding to cover the operating deficits incurred by the Association during the term of the agreement

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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**1. NATURE OF OPERATIONS, continued**

also includes the monthly rent charged by the Town of Marystown to the Association for use of the facility, details of which are disclosed in note 12.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). The significant accounting policies used are as follows:

**(a) Measurement uncertainty**

The preparation of financial statements in accordance with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, allowance for doubtful accounts, inventory and accrued liabilities. These estimates are reviewed periodically and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**(b) Cash and cash equivalents**

Cash includes cash and cash equivalents. Cash and cash equivalents are defined as cash on hand, cash on deposit, net of cheques issued and outstanding at the reporting date, bank indebtedness and gift cards. Cash equivalents are also investments in term deposits and Guaranteed Investment Certificates with an original maturity of three months or less, and are valued at cost plus accrued interest.

**(c) Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method.

**(d) Intangible assets**

Intangible assets are recorded at cost. The organization provides for amortization using the straight-line method over five years designed to amortize the cost of the intangible assets over their estimated useful lives. Intangible assets, software development costs, were acquired during the year. In the prior year, there is a writedown of software development costs related to a Technology Project that is no longer viable.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(e) Property, plant and equipment**

Property, plant and equipment are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the property, plant and equipment over their estimated useful lives. The annual amortization rates and methods are as follows:

Computers under capital lease	33 1/3% Declining balance
Conditioning equipment under capital lease	25% Declining balance and straight line over 5 years
Furniture & equipment under capital lease	10% Declining balance and straight line over 5 years
Buildings	4% Declining balance
Computers	33 1/3% Declining balance and straight line over 5 years
Conditioning equipment	25% Declining balance and straight line over 5 years
Furniture and equipment	10% Declining balance and straight line over 5 years
Parking lot	8% Declining balance
Software	5 years Straight-line

Purchased property, plant and equipment are stated at cost or deemed cost less accumulated amortization.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

The Association regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are recognized as revenue on the same basis as the related capital assets are amortized.

Property and equipment are fully expensed for Enterprise and Employment Projects in the period of acquisition since the Atlantic Canada Opportunities Agency funds the majority of these acquisitions and may, at their discretion, direct the disposal of these assets upon completion of the projects. Property and equipment are expensed with no amortization and capital reimbursements are recorded as income in the year received.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(f) Financial instruments policy**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods financial instruments are reported at amortized cost and tested for impairment at each reporting date.

Financial assets measured at amortized cost includes accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, bank indebtedness, and callable debt.

Transaction costs are recognized in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance and assumption.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the impairment, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

**(g) Derivative financial instruments**

Derivative financial instruments are utilized by the YMCA of Northeast Avalon Inc. in the management of interest rate exposure.

The Association entered into an interest rate swap in order to reduce the impact of fluctuating interest rates on its callable debt.

The Association designates its interest rate swap agreement as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments received under the interest rate swap.

The Association formally documents all debt relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various interest rate hedge transactions. The Association also assesses, both at the hedge's inception and on an ongoing basis, whether the interest rate swap used in hedging transactions are effective in offsetting changes in cash flows of hedged items.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(h) Revenue recognition**

YMCA of Northeast Avalon Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Contributions from all sources, except fundraising and bequests, are recognized as revenue when earned if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fundraising and bequests are recognized as revenue when received. Contributions received for a specific program are deferred and recognized as revenue when the related expenditure is incurred.

Membership and Childcare revenues are recognized as revenue when earned if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government grants for other than designated projects are recorded as income in the year received when there is reasonable assurance that the Association has complied and will continue to comply with all the necessary conditions to obtain the grant. Government grants for designated projects are recorded as income in the year the related expenditure is incurred.

Contributions received for the Building Capital Campaign Phase 1 are recognized as revenue on the same basis as the building is amortized.

Contributions received for the Building Campaign Phase 2 can be used for capital and non-capital expenditures. Funds spent on capital expenditures are recognized as revenue on the same basis as the related capital assets are amortized. Funds spent on non-capital expenditures are recognized as revenue when the expenditures are incurred.

**(i) Pension costs**

Employees of the Association are eligible for membership in the Association's defined contribution pension plan after two years of consecutive employment. The pension plan is administered by Manulife. Contributions to this plan are required from both the employees and the Association. The annual contributions to this pension plan are recognized as an expense and amount to \$69,969 in the 2020 fiscal year (2019 - \$96,455).

**(j) Contributed services**

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES, continued**

**(k) Leases**

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lessor of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a declining balance or straight line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

**(l) Income tax**

The Association is a registered charity under the Income Tax Act of Canada and is therefore exempt from tax.

**3. ACCOUNTS RECEIVABLE**

	2020	2019
Trade and other receivables	\$ 165,452	\$ 174,347
Enterprise, Employment and Newcomer Services receivables	74,329	55,496
Canada Emergency Wage Subsidy receivable	174,534	-
HST refund receivable	9,158	-
	<b>\$ 423,473</b>	<b>\$ 229,843</b>

**4. INTANGIBLE ASSETS**

	2020		2019	
	Cost	Accumulated amortization	Net	Net
Software development costs	\$ 108,915	\$ 10,892	\$ 98,023	\$ -
	<b>\$ 108,915</b>	<b>\$ 10,892</b>	<b>\$ 98,023</b>	<b>\$ -</b>

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**5. PROPERTY, PLANT AND EQUIPMENT**

			2020	2019
	Cost	Accumulated amortization	Net	Net
Land	\$ 451,901	\$ -	\$ 451,901	\$ 451,901
Buildings	17,739,564	5,434,729	12,304,835	12,817,535
Computers	363,359	338,018	25,341	30,163
Conditioning equipment	421,249	366,949	54,300	125,408
Furniture and equipment	1,973,800	1,429,471	544,329	652,294
Parking lot	98,680	51,952	46,728	50,784
	\$ 21,048,553	\$ 7,621,119	\$ 13,427,434	\$ 14,128,085

The following assets included above are held under capital lease:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book value
Computers	\$ 71,103	\$ 61,678	\$ 9,425	\$ 12,544
Conditioning equipment	421,249	366,950	54,299	125,407
Furniture and equipment	636,477	476,861	159,616	238,252
	\$ 1,128,829	\$ 905,489	\$ 223,340	\$ 376,203

The following assets relate to the Marystown YMCA:

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book value
Computers	\$ 36,643	\$ 28,277	\$ 8,366	\$ 10,969
Conditioning equipment	307,712	282,106	25,606	87,148
Furniture and equipment	88,307	62,385	25,922	33,489
	\$ 432,662	\$ 372,768	\$ 59,894	\$ 131,606

**6. BANK INDEBTEDNESS**

The Association has a secured (as disclosed in Note 9) operating line of credit with CIBC of \$450,000 (2019 - \$350,000) which bears interest at the rate of prime plus 1% per annum. The credit available at August 31, 2020 was \$195,824 (2019 - \$60,154).



**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	2020	2019
Trade and other payables	\$ 482,586	\$ 253,813
Employee source deductions	29,767	31,535
HST payable	-	2,911
HAPSET payable	12,434	15,259
WHSCC payable	39,251	18,201
	<b>\$ 564,038</b>	<b>\$ 321,719</b>

**8. DEFERRED REVENUE**

	2020	2019
Deferred revenue	\$ 84,531	\$ 98,555
Deferred revenue-Enterprise, Employment, Newcomer Services	163,482	87,142
Deferred revenue - ACOA	101,455	114,137
Deferred revenue - Regional Development Centre	14,836	59,900
Deferred revenue - School Age Child Care Operating Grants	66,690	-
	<b>\$ 430,994</b>	<b>\$ 359,734</b>

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**9. CALLABLE DEBT**

	2020	2019
CIBC demand instalment loan #1 bearing interest at prime plus 2.00% per annum, repayable in monthly blended payments of \$54,780. The loan matures on February 21, 2031 and is secured as noted below.	\$ 6,410,546	\$ 6,642,959
CIBC demand instalment loan #2 bearing interest at 4.88% per annum, repayable in monthly blended payments of \$9,653. The loan is secured as noted below. This loan was consolidated in March 2020.	-	1,017,515
CIBC demand instalment loan #3 bearing interest at prime plus 2.00% per annum, repayable in monthly principal payments of \$1,603 plus interest. The loan matures on August 20, 2031 and is secured as noted below.	209,936	221,154
CIBC demand instalment loan #4 bearing interest at prime plus 2.00% per annum, monthly interest only payments until December 2019, repayable in monthly principal payments of \$12,500 plus interest starting January 2020. The loan is secured as noted below. This loan was consolidated in March 2020.	-	600,000
CIBC demand instalment loan #5 bearing interest at 4.65% per annum, monthly interest only payments until August 2020, repayable in monthly principal and interest payments of \$11,543 starting September 2020. The loan matures on May 22, 2037 and is secured as noted below.	1,609,714	-
	<u>8,230,196</u>	<u>8,481,628</u>
Less current portion	332,700	420,585
	<u>\$ 7,897,496</u>	<u>\$ 8,061,043</u>
Estimated principal repayments are as follows:		
2021	\$ 332,700	
2022	352,415	
2023	373,393	
2024	395,713	
2025	419,462	
Subsequent years	6,356,513	
	<u>\$ 8,230,196</u>	

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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CIBC demand instalment loan #1 bears interest at a rate of prime plus 2.00% per annum for a SWAP term not exceeding fifteen years and is amortized over a period of twenty years.

The CIBC demand instalment loan #1 is a floating rate term loan negotiated with the bank. The rate is adjusted monthly based on the Canadian BA-CDOR rate with an interest rate spread of 2.00%.

For hedging purposes, the Association entered into an interest rate SWAP transaction with CIBC with respect to demand instalment loan #1 to effectively change its interest rate exposure from a floating rate to a fixed rate basis. The SWAP involves the exchange of one month notes at floating interest rates for notes at a fixed rate of 6.50%. The floating interest rate is set at the Canadian BA-CDOR rate, which is an exact offset to the floating rate demand facility. The maturity date of the SWAP is set for July 20, 2028.

*Security:*

The demand instalment loans and the operating line of credit are secured by a first priority interest in all present and future personal property of the Association, a first priority charge in the amount of \$12,000,000 over the real property at Ches Penney Family YMCA and an acknowledged assignment of adequate insurance on the property with loss payable to CIBC.

*Covenant:*

The Association is to ensure that the adjusted fixed charge coverage ratio is not less than 1.0 to 1.0 at any time, calculated on a rolling four quarter basis. As at August 31, 2020, the Association was in compliance with this loan covenant.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**10. CAPITAL LEASE OBLIGATIONS**

	2020	2019
RBC long term equipment lease bearing interest at 4.60% per annum, repayable in monthly blended payments of \$4,663. The lease matures on May 22, 2022 and is secured by the Association's insurance policy and by the equipment purchased.	\$ 91,920	\$ 120,978
RBC long term equipment lease bearing interest at 3.76% per annum, repayable in monthly blended payments of \$1,548. The lease matured on March 5, 2020 and is secured by the Association's insurance policy and by the equipment purchased.	-	9,192
RBC long term equipment lease bearing interest at 3.74% per annum, repayable in monthly blended payments of \$2,588. The lease matured on March 5, 2020 and is secured by the Association's insurance policy and by the equipment purchased.	-	15,362
RBC long term equipment lease bearing interest at 4.20% per annum, repayable in monthly blended payments of \$7,519. The lease matures on July 11, 2021 and is secured by the Association's insurance policy and by the equipment purchased.	73,888	122,927
RBC long term equipment lease bearing interest at 5.20% per annum, repayable in monthly blended payments of \$603. The lease matures on April 10, 2023 and is secured by the Association's insurance policy and by the equipment purchased.	17,582	21,111
RBC long term equipment lease bearing interest at 5.50% per annum, repayable in monthly blended payments of \$1,634. The lease matures on October 15, 2023 and is secured by the Association's insurance policy and by the equipment purchased.	55,439	64,641
	238,829	354,211
Less current portion	148,316	181,733
Due beyond one year	\$ 90,513	\$ 172,478
Estimated principal repayments are as follows:		
2021	\$ 148,316	
2022	64,312	
2023	23,030	
2024	3,171	
	\$ 238,829	

The Association has a revolving lease line of credit with the Royal Bank of Canada of \$750,000 (2019 - \$750,000). The credit available at August 31, 2020 was \$511,171 (2019 - \$395,789). The above capital lease obligations are secured by the equipment purchased under the capital leases with a net book value of \$223,340.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

**11. DEFERRED CAPITAL CONTRIBUTION**

Contributions were received through a Building Capital Campaign Phase 1 and the funds raised were contributed to the construction of the Ches Penney Family YMCA facility.

	2020	2019
Balance, beginning of year	\$ 5,930,666	\$ 6,177,726
Amortization	(237,225)	(247,060)
Balance, end of year	\$ 5,693,441	\$ 5,930,666

**12. LEASE COMMITMENTS**

The Association leases a recreation facility from the Town of Marystown under a long term lease that expires on September 30, 2035. Under the lease, the Association is required to pay rent of \$30,625 plus HST per month for the twenty year term of the lease. The lease contains an option to renew the lease for one renewal term of twenty years. As part of the agreement with the Town of Marystown, the Association receives a Rent Subsidy in the amount of \$30,625 per month for the twenty year term of the lease.

The Association also leases a vehicle under an operating lease that expires on November 30, 2020. Under the lease, the Association is required to pay \$328 plus HST per month for the 5 year term of the lease. The Association also leases space under operating leases with the Newfoundland and Labrador English School District for the After School Programs that expire on June 30, 2022. Under these leases, the Association is required to pay \$10,080 per month for 2021 and \$12,600 per month for 2022.

Future minimum lease payments as at year end are as follows:

	Lease Payments	Lease Subsidy	Net Lease Payments
2021	\$ 524,557	\$ 367,500	\$ 157,057
2022	548,625	367,500	181,125
2023	422,625	367,500	55,125
2024	422,625	367,500	55,125
2025	422,625	367,500	55,125
Subsequent years	4,261,469	3,705,625	555,844
	\$ 6,602,526	\$ 5,543,125	\$ 1,059,401

The Association has signed a lease agreement to lease a recreation facility from the Town of Happy Valley-Goose Bay under a long term lease. Under the terms of the lease, the Association is required to pay an annual rental payment of \$720,000 plus HST, on the first day of each year, for the twenty year term of the lease. This rent will be reimbursed by an operating grant from the Town of Happy Valley-Goose Bay. The lease contains an option to renew the lease for one renewal term of twenty years. The recreation facility is under construction and the lease will start on the Commencement date, anticipated to be approximately April 2021.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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**13. RELATED PARTY TRANSACTIONS**

All intra-company charges have been eliminated in the Statement of Operations. The intra-company charges are recognized in the Statement of Operations for Enterprise, Employment and Newcomer Services Projects and the Marystown YMCA.

These transactions are considered to be in the normal course of business and are measured at the exchange amount; the exchange amount being the amount of consideration established and agreed to by the related parties.

**14. FINANCIAL INSTRUMENTS**

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of August 31, 2020.

(a) Credit risk

The Association does have credit risk in accounts receivable of \$423,473 (2019 - \$229,843). Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from members. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of members which minimizes concentration of credit risk.

(b) Liquidity risk

The Association does have a liquidity risk in the current liabilities of \$1,814,772 (2019 - \$1,675,011). Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of receipt of funds from its members and other related sources, callable debt, obligations under capital leases, contributions to the pension plan and accounts payable.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and callable debt. To mitigate this risk the Association entered into a SWAP agreement with CIBC fixing the interest rate at 6.5% per annum for the 15 year term of the SWAP agreement of one of the demand instalment loans.

**YMCA OF NORTHEAST AVALON INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

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**15. COVID-19**

On March 11, 2020, the World Health Organization assessed the coronavirus outbreak (COVID-19) as a pandemic. The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. The extent to which Covid-19 impacts the future financial results of the YMCA of Northeast Avalon Inc. will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain the virus or its impact, among others.

**YMCA OF NORTHEAST AVALON INC.**  
**STATEMENT OF OPERATIONS - MARYSTOWN**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019
<b>REVENUE</b>		
Health, Fitness & Recreation	\$ 1,221,127	\$ 1,462,658
	1,221,127	1,462,658
<b>EXPENDITURES</b>		
Health, Fitness & Recreation	1,144,347	1,390,903
	1,144,347	1,390,903
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER EXPENDITURES</b>	76,780	71,755
<b>OTHER EXPENDITURES</b>		
Amortization	85,012	83,325
Interest on obligations under capital lease	2,758	7,048
	87,770	90,373
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(10,990)	(18,618)
<b>Reconciliation of deficit of revenue over expenditures:</b>		
YMCA subsidies to non-Marystown residents	(10,990)	(16,246)
Amortization	(85,012)	(83,325)
Principal payments on leased equipment	85,012	80,953
Deficit	\$ (10,990)	\$ (18,618)

The Statement of Operations - Marystown includes intracompany contributions to overhead of \$120,147 (2019 - \$139,978) which have been eliminated in the Statement of Operations (Note 13).



**YMCA OF NORTHEAST AVALON INC.**  
**STATEMENT OF OPERATIONS - ENTERPRISE PROJECTS**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019
<b>REVENUE</b>		
Cafe revenues	\$ -	\$ 8,514
Contributions	470	3,730
Grants	629,161	376,009
	<u>629,631</u>	<u>388,253</u>
<b>EXPENDITURES</b>		
Administration	50,931	33,105
Salaries and benefits	435,006	238,756
Supplies and other expenditures	147,170	134,394
	<u>633,107</u>	<u>406,255</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (3,476)</b>	<b>\$ (18,002)</b>

The Statement of Operations - Enterprise Projects includes intracompany administrative fees of \$50,931 (2019 - \$33,105) which have been eliminated in the Statement of Operations (Note 13).

**YMCA OF NORTHEAST AVALON INC.**  
**STATEMENT OF OPERATIONS - REGIONAL DEVELOPMENT CENTRE**  
**FOR THE YEAR ENDED AUGUST 31, 2020**

	2020	2019
<b>REVENUE</b>		
Regional Development Centre	\$ 167,564	\$ 331,207
	167,564	331,207
<b>EXPENDITURES</b>		
Administration and overhead	21,400	37,200
Consultant fees	5,642	23,639
Salaries and benefits	82,665	213,846
Supplies and other expenditures	18,044	15,100
Travel	39,813	41,422
	167,564	331,207
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>