

YMCA OF NORTHEAST AVALON INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

YMCA OF NORTHEAST AVALON INC.
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To the Members of YMCA of Northeast Avalon Inc.:

Qualified Opinion

We have audited the financial statements of YMCA of Northeast Avalon Inc. (the "Organization"), which comprise the statement of financial position as at August 31, 2021, 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2021, 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.

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, 2021.

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 Organization 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 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 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 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 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

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 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 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 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The financial statements of the YMCA of Northeast Avalon Inc. for the year ended August 31, 2020 were audited and issued with an Independent Auditor's Report by Douglas Kirby Professional Corporation of St. John's, Newfoundland and Labrador, Canada, prior to its merger with MNP LLP.

Mount Pearl, Newfoundland and Labrador

January 13, 2022

MNP LLP

Chartered Professional Accountants

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2021


	2021	2020
REVENUES		
General Administration	\$ 1,199,051	\$ 885,284
Philanthropy	384,644	141,904
Regional Development Centre - note 3	70,936	167,564
Health, Fitness & Recreation and Childcare	5,198,781	4,333,736
Employment, Enterprise, and Newcomer Projects - Schedule 2	1,050,261	629,631
	<u>7,903,673</u>	<u>6,158,119</u>
EXPENDITURES		
General Administration	936,432	762,549
Philanthropy	200,595	31,060
Health, Fitness & Recreation & Childcare	4,579,342	3,413,394
Employment, Enterprise, and Newcomer Projects - Schedule 2	957,559	582,175
Regional Development Centre - note 3	70,936	167,564
	<u>6,744,864</u>	<u>4,956,742</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS	<u>1,158,809</u>	<u>1,201,377</u>
OTHER EXPENSES		
Amortization	689,934	746,998
Interest on callable debt	488,712	508,695
Interest on obligations under capital lease	7,442	9,182
	<u>1,186,088</u>	<u>1,264,875</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (27,279)</u>	<u>\$ (63,498)</u>


See accompanying notes to the financial statements

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2021

	2021	2020
<u>ASSETS</u>		
CURRENT		
Accounts receivable - note 4	\$ 1,078,474	\$ 423,473
Inventory	26,826	24,274
Prepaid expenses	42,410	51,011
	<u>1,147,710</u>	<u>498,758</u>
INTANGIBLE ASSETS - note 5	79,422	98,023
PROPERTY, PLANT AND EQUIPMENT - notes 5 and 6	<u>13,147,455</u>	<u>13,427,434</u>
	<u>\$ 14,374,587</u>	<u>\$ 14,024,215</u>
<u>LIABILITIES</u>		
CURRENT		
Bank indebtedness - note 7	\$ 176,318	\$ 338,724
Accounts payable and accrued liabilities - note 8	949,439	564,038
Deferred revenue - note 9	930,153	430,994
Current portion of callable debt	352,794	332,700
Current portion of capital lease obligations	104,376	148,316
Current liabilities before callable debt	2,513,080	1,814,772
Callable debt - note 10	7,566,874	7,897,496
Total Current Liabilities	<u>10,079,954</u>	<u>9,712,268</u>
CAPITAL LEASE OBLIGATIONS - note 11	328,260	90,513
DEFERRED REVENUE - BUILDING CAPITAL FUND - note 12	<u>5,465,659</u>	<u>5,693,441</u>
	15,873,873	15,496,222
NET ASSETS	<u>(1,499,286)</u>	<u>(1,472,007)</u>
	<u>\$ 14,374,587</u>	<u>\$ 14,024,215</u>

APPROVED ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

Jan 21, 2022 _____ Date

See accompanying notes to the financial statements

**YMCA OF NORTHEAST AVALON INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2021**

	2021	2020
BALANCE, BEGINNING OF YEAR	\$ (1,472,007)	\$ (1,408,509)
Deficiency of revenues over expenditures	(27,279)	(63,498)
BALANCE, END OF YEAR	\$ (1,499,286)	\$ (1,472,007)

See accompanying notes to the financial statements

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	\$ (27,279)	\$ (63,498)
Item not affecting cash		
Amortization	689,934	746,998
	662,655	683,500
Changes in non-cash working capital		
Increase in accounts receivable	(655,001)	(193,630)
(Increase) decrease in inventory	(2,552)	2,035
Decrease (increase) in prepaid expenses	8,601	(4,559)
Increase in accounts payable and accrued liabilities	385,401	242,318
Increase in deferred revenue	499,159	71,260
	898,263	800,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(3,233)	(108,915)
Purchase of property, plant and equipment	(388,121)	(35,454)
	(391,354)	(144,369)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of callable debt	(310,528)	(1,861,146)
Proceeds of callable debt	-	1,609,714
Repayment of capital lease obligations	(146,091)	(115,382)
Proceeds of capital lease obligations	339,898	-
Deferred revenue - building capital fund	(227,782)	(237,225)
	(344,503)	(604,039)
DECREASE IN BANK INDEBTEDNESS	162,406	52,516
BANK INDEBTEDNESS, BEGINNING OF YEAR	(338,724)	(391,240)
BANK INDEBTEDNESS, END OF YEAR	\$ (176,318)	\$ (338,724)

See accompanying notes to the financial statements

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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, Marystown YMCA and Central Labrador YMCA locations where revenue is fee for service.

b) Children's Services - regulated child care, children's programs, and day camps at various locations. Revenue is fee for service and also receive some operating grant funding from 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. This program is partially funded by the Atlantic Canada Opportunities Agency.

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 the following 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 also includes the monthly rent charged by the Town of Marystown to the Association for use of the facility,

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

1. NATURE OF OPERATIONS, continued

details of which are disclosed in note 13.

On July 24, 2019 the Association entered into a twenty year operating agreement commencing April 1, 2021 with the Town of Happy Valley-Goose Bay to offer YMCA programs and services at the YMCA facility in the Town of Happy Valley-Goose Bay. The agreement is renewable for an additional period of up to twenty years.

In support of the Association's operations, the Town of Happy Valley-Goose Bay 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 also includes the monthly rent charged by the Town of Happy Valley-Goose Bay to the Association for use of the facility, details of which are disclosed in note 13.

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.

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(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.

(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 and straight line over 5 years
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.

Property and equipment are also expensed with no amortization and capital reimbursements are recorded as income in the year received under government capacity funding received for the childcare center.

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021

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 are recognized as revenue on the same basis as the building is amortized.

Contributions received for the Annual Campaign 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 \$92,417 in the 2021 fiscal year (2020 - \$69,969).

(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, 2021

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. REGIONAL DEVELOPMENT CENTRE

	2021	2020
Revenue	\$ 70,936	\$ 167,564
Administration and overhead	\$ -	\$ 21,400
Consultant fees	-	5,642
Salaries and benefits	70,076	82,665
Supplies and other expenditures	860	18,044
Travel	-	39,813
Total expenditures	\$ 70,936	\$ 167,564

4. ACCOUNTS RECEIVABLE

	2021	2020
Trade and other receivables	\$ 147,825	\$ 53,587
Canada Emergency Rent Subsidy receivable	90,026	-
Canada Emergency Wage Subsidy receivable	28,410	174,534
Enterprise, Employment, and Newcomer Services receivables	125,893	74,329
HST refund receivable	32,716	9,158
Town of Happy Valley-Goose Bay	533,503	-
Town of Marystown	120,101	111,865
	\$ 1,078,474	\$ 423,473

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

5. INTANGIBLE ASSETS

			2021			2020
	Cost	Accumulated amortization	Net	Net	Net	Net
Software development costs	\$ 112,147	\$ 32,725	\$ 79,422	\$	\$	98,023
	\$ 112,147	\$ 32,725	\$ 79,422	\$	\$	98,023

6. PROPERTY, PLANT AND EQUIPMENT

			2021			2020
	Cost	Accumulated amortization	Net	Net	Net	Net
Land	\$ 451,901	\$ -	\$ 451,901	\$	\$	451,901
Buildings	17,739,564	5,926,923	11,812,641	\$	\$	12,304,835
Computers	408,412	351,987	56,425	\$	\$	25,341
Conditioning equipment	919,628	633,012	286,616	\$	\$	130,673
Furniture and equipment	1,818,490	1,321,606	496,884	\$	\$	467,956
Parking lot	98,680	55,692	42,988	\$	\$	46,728
	\$ 21,436,675	\$ 8,289,220	\$ 13,147,455	\$	\$	13,427,434

The following assets included above are held under capital lease:

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book value
Computers	\$ 76,771	\$ 34,456	\$ 42,315	\$ 9,425
Conditioning equipment	919,628	633,011	286,617	54,299
Furniture and equipment	691,874	549,497	142,377	159,616
	\$ 1,688,273	\$ 1,216,964	\$ 471,309	\$ 223,340

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

6. PROPERTY, PLANT AND EQUIPMENT, continued

The following assets relate to the Central Labrador YMCA:

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book value
Computers	\$ 42,311	\$ 705	\$ 41,606	\$ -
Conditioning equipment	242,190	4,037	238,153	-
Furniture and equipment	90,925	1,515	89,410	-
	\$ 375,426	\$ 6,257	\$ 369,169	\$ -

The following assets relate to the Marystown YMCA:

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book value
Computers	\$ 37,701	\$ 35,606	\$ 2,095	\$ 8,366
Conditioning equipment	307,712	307,708	4	25,606
Furniture and equipment	88,307	74,038	14,269	25,922
	\$ 433,720	\$ 417,352	\$ 16,368	\$ 59,894

7. BANK INDEBTEDNESS

The Association has a secured (as disclosed in Note 10) operating line of credit with CIBC of \$450,000 (2020 - \$450,000) which bears interest at the rate of prime plus 1% per annum. The credit available at August 31, 2021 was \$339,510 (2020 - \$195,824).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
Trade and other payables	\$ 567,512	\$ 412,150
Employee source deductions payable	-	29,767
HAPSET payable	15,951	12,434
Workplace NL payable	19,538	39,249
Town of Marystown	70,438	70,438
Town of Happy Valley-Goose Bay	276,000	-
	\$ 949,439	\$ 564,038

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

9. DEFERRED REVENUE

	2021	2020
Deferred revenue - Miscellaneous	\$ 107,250	\$ 84,531
Deferred revenue - Enterprise, Employment, Newcomer Services	362,125	163,482
Deferred revenue - ACOA	272,746	101,455
Deferred revenue - Regional Development Centre	-	14,836
Deferred revenue - Child Care Operating Grant Program	188,032	66,690
	<u>\$ 930,153</u>	<u>\$ 430,994</u>

10. CALLABLE DEBT

	2021	2020
CIBC demand instalment loan bearing interest at prime plus 2.00% per annum, repayable in monthly blended payments of \$54,780. The loan matures in February 2031 and is secured as noted below.	\$ 6,162,567	\$ 6,410,546
CIBC demand instalment loan bearing interest at prime plus 2.00% per annum, repayable in monthly principal payments of \$1,603 plus interest. The loan matures in August 2031 and is secured as noted below.	190,706	209,936
CIBC demand instalment loan bearing interest at 4.65% per annum, monthly interest only payments until August 2020, repayable in monthly principal and interest payments of \$11,579 starting September 2020. The loan matures in May 2037 and is secured as noted below.	1,566,395	1,609,714
	7,919,668	8,230,196
Less current portion	352,794	332,700
Due beyond one year	<u>\$ 7,566,874</u>	<u>\$ 7,897,496</u>
Estimated principal repayments are as follows:		
2022	\$ 352,794	
2023	372,290	
2024	394,558	
2025	418,251	
2026	443,463	
Subsequent years	5,938,312	
	<u>\$ 7,919,668</u>	

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021, 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, 2021

11. CAPITAL LEASE OBLIGATIONS

	2021	2020
RBC long term equipment lease bearing interest at 4.60% per annum, repayable in monthly blended payments of \$4,567. The lease matures on May 22, 2022 and is secured by the Association's insurance policy and by the equipment purchased.	\$ 41,171	\$ 91,920
RBC long term equipment lease bearing interest at 4.20% per annum, repayable in monthly blended payments of \$7,519. The lease matured on July 11, 2021 and is secured by the Association's insurance policy and by the equipment purchased.	-	73,888
RBC long term equipment lease bearing interest at 5.20% per annum, repayable in monthly blended payments of \$589. The lease matures on April 10, 2023 and is secured by the Association's insurance policy and by the equipment purchased.	11,657	17,582
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.	39,910	55,439
RBC long term equipment lease bearing interest at prime plus 0.50% per annum, repayable in monthly blended payments of \$6,245. The lease matures in December, 2026 and is secured by the Association's insurance policy and by the equipment. This lease has not been finalized yet, amounts have been estimated.	339,898	-
	432,636	238,829
Less current portion	104,376	148,316
Due beyond one year	\$ 328,260	\$ 90,513
Estimated principal repayments are as follows:		
2022	\$ 104,376	
2023	89,303	
2024	71,063	
2025	70,251	
2026	72,714	
Subsequent years	24,929	
	\$ 432,636	

The Association has a revolving lease line of credit with the Royal Bank of Canada of \$750,000 (2020 - \$750,000). The credit available at August 31, 2021 was \$317,364 (2020 - \$511,171). The above capital lease obligations are secured by the equipment purchased under the capital leases with a net book value of \$471,309.

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

12. 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.

	2021	2020
Balance, beginning of year	\$ 5,693,441	\$ 5,930,666
Amortization	(227,782)	(237,225)
Balance, end of year	\$ 5,465,659	\$ 5,693,441

13. 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 leases a recreation facility from the Town of Happy Valley-Goose Bay under a long term lease that expires on March 31, 2041. Under the lease, the Association is required to pay rent of \$60,000 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 Happy Valley-Goose Bay, the Association receives a Rent Subsidy in the amount of \$60,000 per month for the twenty year term of the lease.

The Association also leases a vehicle under an operating lease that expires in January, 2026. Under the lease, the Association is required to pay \$446 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 \$12,600 per month for 2022.

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

	Lease Payments	Lease Subsidy	Net Lease Payments
2022	\$ 1,382,780	\$ 1,087,500	\$ 295,280
2023	1,256,780	1,087,500	169,280
2024	1,256,780	1,087,500	169,280
2025	1,256,780	1,087,500	169,280
2026	1,252,677	1,087,500	165,177
Subsequent years	15,913,844	13,838,125	2,075,719
	\$ 22,319,641	\$ 19,275,625	\$ 3,044,016

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

14. 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, the Marystown YMCA and the Central Labrador 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.

15. 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, 2021.

(a) Credit risk

The Association does have credit risk in accounts receivable of \$1,078,474 (2020 - \$423,473). 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 and other receivables. 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 \$2,513,080 (2020 - \$1,814,772). 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.

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2021 financial statements.

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

17. SUBSEQUENT EVENT

Subsequent to the year end, the Association refinanced the CIBC demand instalment loans and RBC capital lease obligations with a TD Canada Trust mortgage of \$10,150,000 on the property at 35 Ridge Road with a 25 year amortization with the first term of 5 years with a fixed interest rate of prime plus 1% and an operating line of credit of \$250,000. The mortgage is repayable in monthly principal and interest payments of \$49,767.

The mortgage and operating line of credit are secured by a general security agreement, first priority charge in all present and future personal property of the Association, a first priority charge in the amount of \$10,510,000 over the real property at Ches Penney Family YMCA, general assignment of rents, and an acknowledged assignment of adequate insurance on the property with loss payable to TD Canada Trust.

18. 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, 2021

	2021	2020
REVENUE		
Health, Fitness & Recreation	\$ 1,248,515	\$ 1,221,127
	1,248,515	1,221,127
EXPENDITURES		
Health, Fitness & Recreation	1,212,760	1,144,347
	1,212,760	1,144,347
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER EXPENDITURES	35,755	76,780
OTHER EXPENDITURES		
Amortization	44,583	85,012
Interest on obligations under capital lease	1,432	2,758
	46,015	87,770
DEFICIENCY OF REVENUES OVER EXPENDITURES	(10,260)	(10,990)
Reconciliation of deficit of revenue over expenditures:		
YMCA subsidies to non-Marystown residents	(10,260)	(10,990)
Amortization	(44,583)	(85,012)
Principal payments on leased equipment	44,583	85,012
Deficit	\$ (10,260)	\$ (10,990)

The Statement of Operations - Marystown includes intracompany contributions to overhead of \$92,235 (2020 - \$120,147) which have been eliminated in the Statement of Operations (Note 14).

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF OPERATIONS - EMPLOYMENT, ENTERPRISE, AND NEWCOMER PROJECTS
FOR THE YEAR ENDED AUGUST 31, 2021

	2021	2020
REVENUE		
Contributions	\$ 335	\$ 470
Grants	1,049,926	629,161
	1,050,261	629,631
EXPENDITURES		
Administration	87,943	50,931
Salaries and benefits	684,679	435,006
Supplies and other expenditures	272,880	147,170
	1,045,502	633,107
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 4,759	\$ (3,476)

The Statement of Operations - Employment, Enterprise, and Newcomer Projects includes intracompany administrative fees of \$87,943 (2020 - \$50,931) which have been eliminated in the Statement of Operations (Note 14).

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF OPERATIONS - CENTRAL LABRADOR
FOR THE YEAR ENDED AUGUST 31, 2021

	2021
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REVENUE	
Health, Fitness & Recreation	\$ 823,188
	<hr/>
	823,188
EXPENDITURES	
Health, Fitness & Recreation	816,877
	<hr/>
	816,877
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER EXPENDITURES	6,311
OTHER EXPENDITURES	
Amortization	6,311
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	\$ -
	<hr/>

The Statement of Operations - Central Labrador includes intracompany contributions to overhead of \$12,357 which have been eliminated in the Statement of Operations (Note 14).