

YMCA OF NORTHEAST AVALON INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

YMCA OF NORTHEAST AVALON INC.
TABLE OF CONTENTS
AUGUST 31, 2022

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
Statement of Operations	3
Statement of Financial Position	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 20
Schedule of Statement Of Operations - Marystown Branch	21
Schedule of Statement of Operations - Employment, Enterprise, and Newcomer Projects	22
Schedule of Statement of Operations - Central Labrador Branch	23

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, 2022, 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, 2022, 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, 2022.

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.

Mount Pearl, Newfoundland and Labrador

December 20, 2022

MNP LLP

Chartered Professional Accountants

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021
REVENUES		
General Administration	\$ 562,918	\$ 1,106,128
Philanthropy and Miscellaneous Grants	340,549	467,127
Regional Development Centre - note 3	-	70,936
Employment, Enterprise, and Newcomer Projects - Schedule 2	1,577,326	1,050,261
Health, Fitness & Aquatics & Children's Services	7,489,787	5,116,298
	<u>9,970,580</u>	<u>7,810,750</u>
EXPENDITURES		
General Administration	1,012,804	934,784
Philanthropy and Miscellaneous	161,734	200,595
Health, Fitness & Aquatics & Children's Services	6,475,445	4,577,790
Regional Development Centre - note 3	-	70,936
Employment, Enterprise, and Newcomer Projects - Schedule 2	1,262,727	866,284
	<u>8,912,710</u>	<u>6,650,389</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS	<u>1,057,870</u>	<u>1,160,361</u>
OTHER EXPENSES		
Amortization	668,573	689,934
Interest on callable debt	355,768	488,713
Interest on obligations under capital lease	19,026	8,993
	<u>1,043,367</u>	<u>1,187,640</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE LOAN REFINANCE FEES	14,503	(27,279)
Loan refinance fees	<u>1,024,038</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (1,009,535)</u>	<u>\$ (27,279)</u>

See accompanying notes to the financial statements

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2022

	2022	2021
<u>ASSETS</u>		
CURRENT		
Cash	\$ 2,051,468	\$ -
Accounts receivable - note 4	539,883	1,078,474
Inventory	20,910	26,826
Prepaid expenses	40,776	42,410
	<u>2,653,037</u>	<u>1,147,710</u>
INTANGIBLE ASSETS - note 5	56,996	79,422
PROPERTY, PLANT AND EQUIPMENT - notes 5 and 6	<u>12,531,346</u>	<u>13,147,455</u>
	\$ 15,241,379	\$ 14,374,587

<u>LIABILITIES</u>		
CURRENT		
Bank indebtedness - note 7	\$ -	\$ 176,318
Accounts payable and accrued liabilities - note 8	311,462	949,439
Deferred revenue - note 9	1,920,016	930,153
Current portion of callable debt	-	352,794
Current portion of long term debt	272,219	-
Current portion of capital lease obligations	65,284	104,376
Current liabilities before callable debt	<u>2,568,981</u>	<u>2,513,080</u>
Callable debt - note 10	-	7,566,874
Total Current Liabilities	2,568,981	10,079,954
LONG TERM DEBT - note 11	9,678,743	-
CAPITAL LEASE OBLIGATIONS - note 12	255,457	328,260
DEFERRED REVENUE - BUILDING CAPITAL FUND - note 13	<u>5,247,019</u>	<u>5,465,659</u>
	17,750,200	15,873,873
NET ASSETS	<u>(2,508,821)</u>	<u>(1,499,286)</u>
	\$ 15,241,379	\$ 14,374,587

APPROVED ON BEHALF OF THE BOARD


 _____ Director

 _____ Director
 December 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, 2022

	2022	2021
BALANCE, BEGINNING OF YEAR	\$ (1,499,286)	\$ (1,472,007)
Deficiency of revenues over expenditures	(1,009,535)	(27,279)
BALANCE, END OF YEAR	\$ (2,508,821)	\$ (1,499,286)

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenditures	\$ (1,009,535)	\$ (27,279)
Item not affecting cash		
Amortization	668,573	689,934
	<u>(340,962)</u>	<u>662,655</u>
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	538,591	(655,001)
Decrease (increase) in inventory	5,916	(2,552)
Decrease in prepaid expenses	1,634	8,601
(Decrease) increase in accounts payable and accrued liabilities	(637,977)	385,401
Increase in deferred revenue	989,863	499,159
	<u>557,065</u>	<u>898,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	-	(3,233)
Purchase of property, plant and equipment	(30,038)	(388,121)
	<u>(30,038)</u>	<u>(391,354)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of callable debt	(7,919,668)	(310,528)
Repayment of long term debt	(199,038)	-
Proceeds of long term debt	10,150,000	-
Repayment of capital lease obligations	(129,368)	(146,091)
Proceeds of capital lease obligations	17,473	339,898
Deferred revenue - building capital fund	(218,640)	(227,782)
	<u>1,700,759</u>	<u>(344,503)</u>
DECREASE IN BANK INDEBTEDNESS	2,227,786	162,406
BANK INDEBTEDNESS, BEGINNING OF YEAR	(176,318)	(338,724)
CASH (BANK INDEBTEDNESS), END OF YEAR	<u>\$ 2,051,468</u>	<u>\$ (176,318)</u>

See accompanying notes to the financial statements

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, Camps, Aquatics, Health & Fitness, Education, Employment Services, ECE Training Program, 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 preschool and school age care, children's programs, and day camps at various locations. Revenue is fee for service and also receive 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 and Province of Newfoundland and Labrador Department of Immigration, Population Growth and Skills.

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 and Department of Education - 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, Food Sharing Programs, Y Take the Shot, Y My Way, IRCC and Early Learning Child Care Program (three year program).

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

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

1. NATURE OF OPERATIONS, continued

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 14.

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 14.

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, 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) 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 and Newcomer Projects in the period of acquisition since the Atlantic Canada Opportunities Agency and Government of Canada - Federal contracts fund 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 centers.

(e) 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.

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, long term debt, 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

In the prior year, derivative financial instruments were 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, 2022

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 \$114,874 in the 2022 fiscal year (2021 - \$92,417).

(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, 2022

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

	2022	2021
Revenue	\$ -	\$ 70,936
Salaries and benefits	\$ -	\$ 70,076
Supplies and other expenditures	-	860
Total expenditures	\$ -	\$ 70,936

4. ACCOUNTS RECEIVABLE

	2022	2021
Trade and other receivables	\$ 136,195	\$ 147,825
Canada Emergency Rent Subsidy receivable	-	90,026
Canada Emergency Wage Subsidy receivable	-	28,410
Enterprise, Employment, and Newcomer Services receivables	248,542	125,893
HST refund receivable	10,761	32,716
Town of Happy Valley-Goose Bay	67,723	533,503
Town of Marystown	76,662	120,101
	\$ 539,883	\$ 1,078,474

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

5. INTANGIBLE ASSETS

			2022			2021
	Cost	Accumulated amortization	Net	Net		
Software development costs	\$ 112,148	\$ 55,152	\$ 56,996	\$	79,422	
	\$ 112,148	\$ 55,152	\$ 56,996	\$	79,422	

6. PROPERTY, PLANT AND EQUIPMENT

			2022			2021
	Cost	Accumulated amortization	Net	Net		
Land	\$ 451,901	\$ -	\$ 451,901	\$	451,901	
Buildings	17,739,564	6,399,423	11,340,141	\$	11,812,641	
Computers	413,953	366,578	47,375	\$	56,425	
Conditioning equipment	919,628	712,681	206,947	\$	286,616	
Furniture and equipment	1,842,987	1,397,573	445,414	\$	496,884	
Parking lot	98,680	59,112	39,568	\$	42,988	
	\$ 21,466,713	\$ 8,935,367	\$ 12,531,346	\$	13,147,455	

The following assets included above are held under capital lease:

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book value
Computers	\$ 42,311	\$ 9,167	\$ 33,144	\$ 42,315
Conditioning equipment	242,190	52,475	189,715	286,617
Furniture and equipment	112,928	21,901	91,027	142,377
	\$ 397,429	\$ 83,543	\$ 313,886	\$ 471,309

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

6. PROPERTY, PLANT AND EQUIPMENT, continued

The following assets relate to the Central Labrador YMCA:

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book value
Computers	\$ 42,311	\$ 9,167	\$ 33,144	\$ 41,606
Conditioning equipment	242,190	52,475	189,715	238,153
Furniture and equipment	112,928	21,901	91,027	89,410
	\$ 397,429	\$ 83,543	\$ 313,886	\$ 369,169

The following assets relate to the Marystown YMCA:

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book value
Computers	\$ 37,701	\$ 36,566	\$ 1,135	\$ 2,095
Conditioning equipment	307,712	307,708	4	4
Furniture and equipment	88,307	80,818	7,489	14,269
	\$ 433,720	\$ 425,092	\$ 8,628	\$ 16,368

7. BANK INDEBTEDNESS

The Association has a secured (as disclosed in Note 11) operating line of credit with Toronto Dominion Bank of \$250,000 (2021 CIBC - \$450,000) which bears interest at the rate of prime plus 1% per annum. The credit available at August 31, 2022 was \$250,000 (2021 - \$339,510).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2022	2021
Trade and other payables	\$ 265,262	\$ 567,512
HAPSET payable	22,267	15,951
Workplace NL payable	23,933	19,538
Town of Marystown	-	70,438
Town of Happy Valley-Goose Bay	-	276,000
	\$ 311,462	\$ 949,439

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

9. DEFERRED REVENUE

	2022	2021
Deferred revenue - Miscellaneous	\$ 264,990	\$ 107,250
Deferred revenue - Enterprise, Employment, Newcomer Services	774,190	362,125
Deferred revenue - ACOA	76,091	272,746
Deferred revenue - Early Learning Child Care Program	564,912	-
Deferred revenue - Child Care Operating Grant Program	239,833	188,032
	\$ 1,920,016	\$ 930,153

10. CALLABLE DEBT

	2022	2021
CIBC demand instalment loan bearing interest at prime plus 2.00% per annum, repayable in monthly blended payments of \$54,780. The loan was refinanced with TD Bank November 2021.	\$ -	\$ 6,162,567
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 was refinanced with TD Bank November 2021.	-	190,706
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 was refinanced with TD Bank November 2021.	-	1,566,395
	-	-
	-	7,919,668
Less current portion	-	352,794
Due beyond one year	\$ -	\$ 7,566,874

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

11. LONG TERM DEBT

	2022	2021
Toronto Dominion Bank term loan bearing interest at 3.33% per annum, repayable in monthly blended principal and interest payments of \$49,767. The loan matures in November 2046 and is secured as noted below.	\$ 9,950,962	\$ -
Less current portion	272,219	-
Due beyond one year	\$ 9,678,743	\$ -
Estimated principal repayments are as follows:		
2023	\$ 272,219	
2024	280,483	
2025	290,776	
2026	300,540	
2027	76,102	
Subsequent years	8,730,842	
	\$ 9,950,962	

Toronto Dominion Bank term loan bears interest at a rate of 3.33% per annum for a fixed rate term loan of five years and is amortized over a period of twenty-five years with loan maturity of November 2046.

Security:

The term loan and the operating line of credit are secured by a general security agreement representing a first priority charge on all present and future personal property of the Association, a collateral mortgage representing a first priority charge in the amount of \$10,510,000 over the real property at 35 Ridge Road, St. John's, NL, Canada, general assignment of rents and leases, an assignment of adequate fire insurance and general liability business insurance on the property at 35 Ridge Road, St. John's, NL, Canada with loss payable to Toronto Dominion Bank.

Covenant:

The Association is to maintain a debt service coverage ratio of not less than 1.10 calculated annually with the audited fiscal year end statements. As at August 31, 2022, 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, 2022

12. CAPITAL LEASE OBLIGATIONS

	2022	2021
RBC long term equipment lease bearing interest at 4.60% per annum, repayable in monthly blended payments of \$4,567. The lease was refinanced by TD Bank November 2021.	\$ -	\$ 41,171
RBC long term equipment lease bearing interest at 5.20% per annum, repayable in monthly blended payments of \$589. The lease was refinanced by TD Bank November 2021.	-	11,657
RBC long term equipment lease bearing interest at 5.50% per annum, repayable in monthly blended payments of \$1,634. The lease was refinanced by TD Bank November 2021.	-	39,910
RBC long term equipment lease bearing interest at 4.91% per annum, repayable in monthly blended payments of \$6,631. The lease matures in February, 2027 and is secured by the Association's insurance policy and by the equipment purchased.	320,741	339,898
	320,741	432,636
Less current portion	65,284	104,376
Due beyond one year	\$ 255,457	\$ 328,260
Estimated principal repayments are as follows:		
2023	\$ 65,284	
2024	68,562	
2025	72,005	
2026	75,622	
2027	39,268	
	\$ 320,741	

The Association has a revolving lease line of credit with the Royal Bank of Canada of \$750,000 (2021 - \$750,000). The credit available at August 31, 2022 was \$429,259 (2021 - \$317,364). The above capital lease obligations are secured by the equipment purchased under the capital leases with a net book value of \$313,886.

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

13. 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.

	2022	2021
Balance, beginning of year	\$ 5,465,659	\$ 5,693,441
Amortization	(218,640)	(227,782)
Balance, end of year	\$ 5,247,019	\$ 5,465,659

14. 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 Reimbursement 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 Reimbursement in the amount of \$60,000 per month for the twenty year term of the lease.

The Association leases office space from Regatta Holdings Limited under a rental lease that expires on June 5, 2025. Under the lease, the Association is required to pay rent of \$5,179 plus HST per month for the three year term of the lease.

The Association leases office space from Dober's Enterprises Limited under a rental lease that expires on March 31, 2023. Under the lease, the Association is required to pay rent of \$1,800 plus HST per month for the one 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 two photocopiers under operating leases that expire in October, 2026 and April, 2027. Under the leases, the Association is required to pay \$102 and \$110 plus HST per month for the 5 year term of the leases.

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

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

	Lease Payments	Lease Subsidy	Net Lease Payments
2023	\$ 1,345,678	\$ 1,087,500	\$ 358,978
2024	1,331,188	1,087,500	243,688
2025	1,313,319	1,087,500	225,819
2026	1,255,608	1,087,500	168,108
2027	1,251,575	1,087,500	164,075
Subsequent years	14,663,219	12,750,625	1,912,594
	\$ 21,160,587	\$ 18,188,125	\$ 3,073,262

15. 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 Branch and the Central Labrador YMCA Branch.

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.

16. 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, 2022.

(a) Credit risk

The Association does have credit risk in accounts receivable of \$539,883 (2021 - \$1,078,474). 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 \$2,568,981 (2021 - \$2,513,080). 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, contract advances, callable debt, obligations under capital leases, contributions to the pension plan and accounts payable.

YMCA OF NORTHEAST AVALON INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

16. FINANCIAL INSTRUMENTS, continued

(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 prime interest rate on bank indebtedness.

17. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2022 financial statements.

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.

19. SUBSEQUENT EVENT

Subsequent to year end, the Town of Marystown gave the Association 12-month notice to terminate without cause the Operating Agreement for the operation of the Marystown Recreation Complex as the Marystown YMCA. The Association is disputing the notice of termination.

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF OPERATIONS - MARYSTOWN BRANCH
FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021
REVENUE		
Health, Fitness & Aquatics - Memberships, day passes and rentals	\$ 537,968	\$ 434,255
Rent reimbursement - Note 14	367,505	367,505
Town of Marystown Operating Grant	320,153	239,740
Grants and miscellaneous	52,734	150,891
Rental income	18,000	20,400
Philanthropy	17,631	30,104
Childcare and camps	-	5,620
	1,313,991	1,248,515
EXPENDITURES		
Maintenance and program supplies	100,607	94,247
Overhead expense - Administration	93,950	92,235
Program Administration	53,902	37,097
Rent	395,068	395,068
Telephone and utilities	164,420	151,785
Salaries and benefits	516,741	442,328
	1,324,688	1,212,760
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER EXPENDITURES	(10,697)	35,755
OTHER EXPENDITURES		
Amortization	7,740	44,583
Interest on obligations under capital lease	-	1,432
	7,740	46,015
DEFICIENCY OF REVENUES OVER EXPENDITURES	(18,437)	(10,260)
Reconciliation of deficit of revenue over expenditures:		
YMCA subsidies to non-Marystown residents	(18,437)	(10,260)
Amortization	(7,740)	(44,583)
Principal payments on leased equipment	7,740	44,583
Deficit	\$ (18,437)	\$ (10,260)

The Statement of Operations - Marystown includes intracompany contributions to overhead of \$93,950 (2021 - \$92,235) which have been eliminated in the Statement of Operations (Note 15).

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF OPERATIONS - EMPLOYMENT, ENTERPRISE, AND NEWCOMER PROJECTS
FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021
REVENUE		
Contributions	\$ 1,200	\$ 335
Grants	1,576,126	1,049,926
	<u>1,577,326</u>	<u>1,050,261</u>
EXPENDITURES		
Administration	166,991	87,943
Salaries and benefits	1,026,693	684,679
Supplies and other expenditures	380,217	272,880
	<u>1,573,901</u>	<u>1,045,502</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 3,425</u>	<u>\$ 4,759</u>

The Statement of Operations - Employment, Enterprise, and Newcomer Projects includes intracompany administrative fees of \$166,991 (2021 - \$87,943) and intracompany rent of \$140,112 (2021 - \$91,275) which have been eliminated in the Statement of Operations (Note 15).

YMCA OF NORTHEAST AVALON INC.
STATEMENT OF OPERATIONS - CENTRAL LABRADOR BRANCH
FOR THE YEAR ENDED AUGUST 31, 2022

	2022	2021
REVENUE		
Health, Fitness & Aquatics - Memberships, day passes and rentals	\$ 919,278	\$ 56,599
Rent reimbursement - Note 14	720,000	300,000
Town of Happy Valley-Goose Bay Operating Grant	370,565	245,521
Grants	351,316	159,002
Other income	23,489	37,806
Philanthropy	11,930	5,218
Childcare and camps	192,002	19,042
	<u>2,588,580</u>	<u>823,188</u>
EXPENDITURES		
Maintenance and program supplies	199,402	180,372
Overhead expense - Administration	215,958	12,357
Program Administration	141,578	69,448
Rent	774,000	322,500
Telephone and utilities	65,982	14,180
Salaries and benefits	1,096,601	218,020
	<u>2,493,521</u>	<u>816,877</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER EXPENDITURES	<u>95,059</u>	<u>6,311</u>
OTHER EXPENDITURES		
Amortization	77,932	6,311
Interest on obligations under capital lease	17,127	-
	<u>95,059</u>	<u>6,311</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>

The Statement of Operations - Central Labrador includes intracompany contributions to overhead of \$215,958 (2021 - \$12,357) which have been eliminated in the Statement of Operations (Note 15).