Young Men's Christian Association of Brandon

Financial Statements

August 31, 2021

To the Members of Young Men's Christian Association of Brandon:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Young Men's Christian Association of Brandon (the "Association"), 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Association 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 Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements 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 opinion.

Other Matter

The financial statements of the Association for the year ended August 31, 2020 were audited by BDO Canada LLP of Brandon, Manitoba, who expressed an unmodified opinion on those statements on October 20, 2020.

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 Association’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association’s financial reporting process.

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 Association’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Brandon, Manitoba

MNP LLP

November 30, 2021

Chartered Professional Accountants

Young Men's Christian Association of Brandon
Statement of Financial Position
As at August 31, 2021

	2021	*2020*
Assets		
Current		
Cash	**1,657,735**	615,896
Accounts receivable *(Note 3)*	**125,512**	316,620
	1,783,247	932,516
Capital assets *(Note 4)*	**14,170,728**	14,853,313
Investments *(Note 5)*	**939,073**	658,074
	16,893,048	16,443,903
Liabilities		
Current		
Accounts payable and accruals *(Note 7)*	**311,055**	249,751
Deferred revenue	**97,813**	188,118
Current portion of term debt *(Note 8)*	**2,059,000**	2,257,216
	2,467,868	2,695,085
Deferred contributions related to capital assets *(Note 9)*	**9,997,311**	10,538,211
	12,465,179	13,233,296
Net Assets	**4,427,869**	3,210,607
	16,893,048	16,443,903

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Young Men's Christian Association of Brandon
Statement of Operations
For the year ended August 31, 2021

	2021	*2020*
Revenue		
Grants	**1,891,848**	1,284,664
Memberships	**551,903**	1,228,363
Parent fees	**2,483,598**	1,854,073
Program fees	**158,809**	227,546
Amortization of deferred contributions	**638,270**	631,306
Fundraising and contributions	**109,287**	88,733
Investment income	**282,084**	113,308
Administration fees	**14,127**	32,689
Miscellaneous	**48,845**	13,818
Rental	**-**	6,875
	6,178,771	5,481,375
Other revenue		
Federal wage subsidy *(Note 11)*	**1,063,456**	782,692
Federal rent subsidy *(Note 11)*	**92,107**	-
Gain on disposal of capital assets	**-**	1,500
	1,155,563	784,192
	7,334,334	6,265,567
Expenses		
Amortization	**778,014**	812,924
Bank interest and charges	**64,580**	68,121
Building maintenance	**80,784**	105,027
Contract services	**12,396**	11,231
Equipment	**104,279**	26,374
Fundraising	**21,218**	7,027
Insurance	**51,331**	53,801
Interest on debt	**99,919**	104,723
Miscellaneous	**1,902**	2,514
Printing and promotion	**2,236**	9,021
Program supplies	**173,062**	161,159
Property tax	**7,333**	7,300
Rent	**173,254**	137,462
Salaries and benefits	**4,200,832**	3,776,649
Supplies	**66,889**	85,901
Telephone and postage	**16,476**	16,286
Training	**46,867**	66,556
Travel	**6,871**	7,662
Utilities	**159,059**	175,963
YMCA affiliation dues	**49,770**	100,746
	6,117,072	5,736,447
Excess of revenue over expenses	**1,217,262**	529,120

Statement of Changes in Net Assets

For the year ended August 31, 2021

	2021	*2020*
Net assets, beginning of year	**3,210,607**	2,681,487
Excess of revenue over expenses	**1,217,262**	529,120
Net assets, end of year	**4,427,869**	3,210,607

Young Men's Christian Association of Brandon
Statement of Cash Flows
For the year ended August 31, 2021

	2021	*2020*
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**1,217,262**	529,120
Amortization	**778,014**	812,924
Amortization of deferred contributions	**(638,270)**	(631,306)
Gain on investments	**(280,999)**	(110,763)
	1,076,007	599,975
Changes in working capital accounts		
Accounts receivable	**191,108**	(279,660)
Accounts payable and accruals	**61,304**	(2,143)
Prepaid expenses	**-**	5,505
Deferred capital contributions	**97,370**	-
Deferred revenue	**(90,305)**	85,862
	1,335,484	409,539
Financing		
Repayment of term debt	**(198,216)**	(94,739)
Investing		
Purchase of capital assets	**(95,429)**	(36,184)
Increase in cash resources	**1,041,839**	278,616
Cash resources, beginning of year	**615,896**	337,280
Cash resources, end of year	**1,657,735**	615,896

The accompanying notes are an integral part of these financial statements

1. Incorporation and nature of the organization

Young Men's Christian Association of Brandon (the “Association”) is a charitable association serving Brandon and the surrounding geographical area. It was established in 1886, dedicated to providing quality programs and services for all individuals in the development of the spirit, mind, and body.

The Association is incorporated as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Buildings	5%
Computer equipment	30%
Equipment	20%
Leasehold improvements	5%
Park	5%

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of restricted contributions used to purchase capital assets. Recognition of these contributions as revenue is deferred until the related capital assets are purchased and amortized. The revenue recognized equals the amount that the funded capital assets are amortized.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions and fundraising are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for the purchase of capital assets are deferred and, when expended, are recognized as revenue on the same basis as the amortization of the related capital assets. 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.

Memberships are recorded as deferred revenue upon receipt and recognized as revenue over the term of the membership. Program and parent fees are deferred upon receipt and recognized as revenue as the services are provided.

Government grants and subsidies are recognized as revenue when there is reasonable assurance that the grants will be received and that the conditions of the funds have been met.

Miscellaneous, rentals, administration fees and investment income is recognized as revenue when earned.

Government assistance

The Association recognizes government assistance when there is reasonable assurance that the funds will be received and that the conditions of the funding will be met. The Association recognizes government assistance in the statement of operations as revenue in the same period as the expenses for which the grant is intended to compensate.

2. Significant accounting policies *(Continued from previous page)*

Contributed materials

Contributions of materials are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials are used in the normal course of the Association's operations and would otherwise have been purchased. No contributed materials were noted in the year.

Financial instruments

The Association recognizes its financial instruments when the Association becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

At initial recognition, the Association may irrevocably elect to subsequently measure any financial instrument at fair value. The Association has not made such an election.

The Association subsequently measures investments and derivatives quoted in an active market at fair value. Fair value is determined by reference to quoted market prices. Investments not quoted in an active market are subsequently measured at cost less impairment. As of August 31, 2021, investments are quoted in active markets.

All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the statement of operations for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

The carrying values of financial assets measured at amortized cost or fair value are as follows:

	2021	*2020*
Financial assets measured at fair value:		
Investments	**939,073**	658,074
Financial assets measured at amortized cost:		
Cash	**1,657,735**	615,896
Accounts receivable	**125,037**	316,620

Financial asset impairment

The Association assesses impairment of all of its financial assets measured at cost or amortized cost. The Association groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Association determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Association reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year statement of operations.

The Association reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets and deferred contributions are based on the estimated useful lives of capital assets.

The COVID-19 pandemic has caused a disruption to the economy and as a result the Association has incorporated its impact on future cash flow projections which include making assumptions and estimates regarding the timing and amounts of future revenues and expenses and the ability to manage liquidity.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the years in which they become known.

Derivative financial instruments

Derivative financial instruments are financial contracts whose value changes in response to a change in an underlying variable, such as specified interest rate, financial instrument or commodity price, or foreign exchange rate. The Association enters into derivative contracts to manage its exposure to interest rate risks associated with loans. Derivatives financial instruments may be designated as hedges, provided that certain criteria are met. As at August 31, 2021, the Association has no derivative financial instruments which have been designated as hedges (2020 - nil).

3. Accounts receivable

	2021	*2020*
Program fees	**18,640**	8,242
Goods and Services Tax	**475**	-
Canada Emergency Wage Subsidy	**26,553**	282,987
Government grants	**67,500**	21,510
Fee subsidy	**12,344**	3,881
	125,512	316,620

4. Capital assets

	Cost	***Accumulated amortization***	***2021 Net book value***	*2020 Net book value*
Land	**665,452**	**-**	**665,452**	665,452
Buildings	**18,565,940**	**6,197,580**	**12,368,360**	13,015,644
Computer equipment	**204,926**	**200,400**	**4,526**	6,465
Equipment	**1,584,897**	**1,229,753**	**355,144**	353,557
Leasehold improvements	**1,174,830**	**540,344**	**634,486**	661,913
Park	**204,191**	**61,431**	**142,760**	150,282
	22,400,236	**8,229,508**	**14,170,728**	14,853,313

5. Investments

	2021	2020
Measured at fair value:		
RBC capital fund investment	**939,073**	658,074

6. Bank indebtedness

The Association has an operating credit facility with the Royal Bank of Canada of up to $500,000, none of which was drawn.

7. Accounts payable and accruals

Included in accounts payable is $69,891 (2020 - $49,289) of government remittances payable.

8. Term debt

	2021	2020
Royal Bank revolving term loan, advanced by way of Bankers' Acceptances with 90 day maturities, with a variable interest rate at prime plus 0.50%, plus an annual acceptance fee of 1.90%, secured by the building with a net book value of $12,368,360, maturing 2029.	**2,059,000**	2,184,000
Brandon Regional Health Authority Loan, repayable for first 3 years at quarterly interest only payments of $2,800 at 3.50%. Remaining 10 years payable quarterly at $9,516 including interest at 3.50%, paid in full in 2021	**-**	73,216
Less: current portion	**(2,059,000)**	(2,257,216)
	-	-

As the related bankers' acceptances are settled and re-issued every 90 days per the agreement, the term debt has been presented as current. Principal repayments remaining on term debt, assuming the balance is refinanced in accordance with the Association's banking agreement, are estimated for the next five fiscal years as follows:

2022	130,000
2023	135,000
2024	140,000
2025	147,000
2026	152,000

The Association has entered into an interest rate swap agreement to fix the rate of interest on a portion of its term debt. As at August 31,2021, the notional amount under the agreement was $2,059,000 (2020 - $2,184,000) fixed at a rate of 3.08% (2020 - 3.08%). The notional amount is reduced over the term of the arrangement pro-rata with principal repayments on the related debt. The agreement matures January 31, 2029. The estimated fair value of the resulting derivative financial instrument at August 31, 2021 is $88,000 (2020 - $43,000).

9. Deferred contributions related to capital assets

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2021	*2020*
Balance, beginning of year	**10,538,211**	11,169,517
Amount received during the year	**97,370**	-
Less: Amounts recognized as revenue during the year	**(638,270)**	(631,306)
Balance, end of year	**9,997,311**	10,538,211

10. Financial instruments

The Association, as part of its operations, carries a number of financial instruments. It is management's opinion that the Association is not exposed to significant currency, interest rate, other price or liquidity risks arising from these financial instruments except as otherwise disclosed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Association enters into investment transactions denominated in U.S. currency for which the related revenues, capital gains and losses, and equity balances are subject to exchange rate fluctuations. As at August 31, 2021, the following items are denominated in U.S. currency:

	2021 CAD$	*2020 CAD$*
Investments $113,081 USD (2020 - $81,812 USD)	**142,674**	106,700

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. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Association is exposed to interest rate risk with respect to investments and term debt held. The Association has mitigated a portion of this risk through an interest rate swap agreement.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Association’s investments in publicly-traded securities exposes the Association to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

10. Financial instruments *(Continued from previous page)*

Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting obligations associated with financial liabilities including the repayment of debt. A range of alternatives is available to the Association including cash flow provided by operations, additional debt, or a combination thereof. The Association expects to be able to meet its financial obligations and debt repayment requirements in the foreseeable future.

The impact of the COVID-19 pandemic caused a disruption to the economy which could further impact the Association's liquidity risk. The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus including travel bans, self-imposed quarantine periods and social distancing that have caused disruption to businesses resulting in an economic slowdown.

Due to public health orders from the Province of Manitoba, the Association's health and fitness facilities closed in March of 2020. As a result, all memberships were temporarily placed on hold. These facilities did reopen between June and September of 2020. Revenues have declined as a result of the COVID-19 pandemic and related government measures. The Association is currently addressing the challenges related to the COVID-19 pandemic by managing costs and exploring alternative revenue opportunities, which includes applying for government assistance.

11. Government assistance

During the year, the Association recognized $1,063,456 (2020 - $782,691) in Canada Emergency Wage Subsidy (“CEWS") as revenue of which $26,553 (2020 - $282,987) was accrued in accounts receivable at year-end. CEWS, introduced in response to the COVID-19 pandemic, provides eligible employers with a subsidy to cover a portion of wage costs paid to eligible employees during prescribed claim periods. There are no unfulfilled conditions related to amounts recognized. However, amounts claimed under these programs are subject to validation and detailed verification by the federal government.

In addition, the Government of Canada announced the Canada Emergency Rent Subsidy ("CERS"), effective September 27, 2020 to help businesses cover a part of their occupancy related expenses. The Association met the eligibility criteria for these subsidies and recognized revenue of $92,107 (2020 - nil).

12. COVID-19 impact on operations

During 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Association's operations were impacted by COVID-19 due to closure of facilities to the public for normal operations. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Association as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

13. Comparative figures

Certain prior year figures have been reclassified to conform with current year presentation. Amounts previously presented as restricted cash have been included as investments. As well, balances previously presented as long-term debt have been reclassified as term debt to reflect the short-term nature of banker's acceptances.