

YMCA of Northern BC

Audit Findings Report
Year Ended August 31, 2014

December 31, 2014

Table of Contents

| | |
|---|---|
| Executive Summary..... | 3 |
| <i>Overview and Status</i> | 3 |
| <i>Topics to Discuss</i> | 3 |
| Significant Matters Arising..... | 4 |
| <i>Changes to the Audit Plan</i> | 4 |
| <i>Other Matters</i> | 4 |
| <i>Significant Difficulties Encountered</i> | 4 |
| Comments on Accounting Practices..... | 5 |
| <i>Accounting Policies</i> | 5 |
| <i>Significant Accounting Estimates</i> | 5 |
| <i>Significant Financial Statement Disclosure</i> | 5 |
| <i>Uncorrected Misstatements</i> | 5 |
| <i>Significant Deficiencies in Internal Control</i> | 5 |
| Written Representations..... | 7 |
| Other Audit Matters of Governance Interest..... | 8 |

Executive Summary

Overview and Status

This report has been prepared to assist you with your review of the financial statements of The Young Men's Christian Association of Northern BC for the period ending August 31, 2014. We look forward to meeting with you and discussing the matters outlined below.

We have completed the audit of the financial statements with the exception of the following items:

- Receipt of a signed representation letter by management
- Completion of our discussions with the Board of Directors
- Evidence of the Board's approval of the financial statements

Topics to Discuss

Below are topics identified from the audit that we have highlighted for discussion at our upcoming meeting. We believe these topics need to be brought to your attention, and we look forward to discussing our findings with you:

- Significant Matters Arising
- Comment on Accounting Practices
- Written Representations
- Other Audit Matters of Governance Interest

Significant Matters Arising

Changes to the Audit Plan

There were no changes to the audit plan as previously presented to you

Other Matters

Description of Matter

- Segregation of duties not present in payroll completion

Actions Taken By Management

- Management in process of implementing processes to mitigate risk

Effect on the Audit

- No effect on the audit

Significant Difficulties Encountered

There were no significant difficulties encountered during our audit.

Comments on Accounting Practices

Accounting Policies

The significant accounting policies used by the entity are outlined in Note 1 to the financial statements.

- There were no significant changes in accounting policies.
- We did not identify any alternative accounting policies that would have been more appropriate in the circumstances.
- We did not identify any significant accounting policies in controversial or emerging areas.

Significant Accounting Estimates

The following significant estimates / judgements are contained in the financial statements.

- Accrued liabilities
- Amortization / useful life

Based on the audit work performed we are satisfied with the estimates made by management.

Significant Financial Statement Disclosure

We did not identify any financial statement disclosures that are particularly significant, sensitive or that require significant judgements, and that we believe should be specifically drawn to your attention.

Uncorrected Misstatements

We accumulated uncorrected misstatements that we identified during our audit and communicated them to management. We then requested that management correct these misstatements. All uncorrected misstatements for the current period have been corrected with the exception of the following:

Significant Deficiencies in Internal Control

A deficiency in internal control exists when a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis, or when a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional

judgment, is of sufficient importance to merit the attention of those charged with governance.

To identify and assess the risks of material misstatement in the financial statements, we are required to obtain an understanding of internal control relevant to the audit. This understanding is used for the limited purpose of designing appropriate audit procedures. It is not used for the purpose of expressing an opinion on the effectiveness of internal control and, as a result, we do not express any such opinion. The limited purpose also means that there can be no assurance that all significant deficiencies in internal control, or any other control deficiencies, will be identified during our audit.

We did not identify any control deficiencies that, in our judgment, would be considered significant deficiencies, apart from those outlined below:

Payroll Completion

Throughout the course of the audit, we identified a lack of segregation of duties in the finance department and in particular in payroll. Since payroll is a significant expense for the organization, it is important to ensure payroll is fairly stated.

Recommendation:

The organization needs to put in place a secondary check in the payroll process to ensure that the completion of payroll from start to finish is being completed by different individuals therefore mitigating risk of payroll fraud.

Management Visa Cards

During the course of the audit, we identified a lack of approval signatures on receipts for visa purchases made with company credit cards. This can lead to possible issues with particular expenses not being correctly allocated or approved.

Recommendation:

The organization should ensure that the supervisor responsible for reviewing credit card purchases authorizes each purchase receipt with a signature, and not just authorizes the credit card statement itself.

Bingo Account

Throughout the audit, we identified that the bingo bank account was being operated on a cash basis. This makes cut-off and cheque reconciliation difficult. This could possibly be an area open to fraud.

Recommendation:

The organization should attempt to account for the bingo funds on a non-cash basis and ensure that cheques are written in sequential order to prove accurate cut-off.

Written Representations

In a separate communication, we have requested a number of written representations from management in respect to their responsibility for the preparation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

Other Audit Matters of Governance Interest

We did not identify any other matters to bring to your attention at this time.

We would like to thank management and staff for the assistance they provided to us during the audit.

We hope the information in this audit findings report will be useful. We would be pleased to discuss them with you and respond to any questions you may have.

This report was prepared for the sole use of those charged with governance of the organization to carry out and discharge their responsibilities. The content should not be disclosed to any third party without our prior written consent, and we assume no responsibility to any other person.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

AUGUST 31, 2014

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT..... | 1 - 2 |
| STATEMENT OF OPERATIONS..... | 3 |
| STATEMENT OF CHANGES IN NET ASSETS..... | 4 |
| STATEMENT OF FINANCIAL POSITION..... | 5 |
| STATEMENT OF CASH FLOW..... | 7 |
| NOTES TO THE FINANCIAL STATEMENTS..... | 8 - 17 |
| SCHEDULE TO THE FINANCIAL STATEMENTS..... | 18 |



DEAN MASON
& COMPANY INC
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Director of
The Young Men's Christian Association of Northern BC

We have audited the accompanying financial statements of The Young Men's Christian Association of Northern BC, which comprise the statement of financial position as at August 31, 2014, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Young Men's Christian Association of Northern BC as at August 31, 2014, 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profits organizations have been applied on a basis consistent with that of the preceding year.

Other Matter

The statement of financial position as at August 31, 2013, and the statements of operations, changes in net assets and cash flow for the year ended August 31, 2013, were audited by a different auditor.

Prince George, B.C.
January 14, 2015

Dean Masen & Company Inc.

CHARTERED ACCOUNTANTS

BUILDING BETTER BUSINESSES

696 Brunswick St, Prince George, BC V2L 2C1
P. 250.564-2660 • F. 250.563.3281
P. 877-278-9977 • W. www.dmca.bc.ca

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2014**

| | 2014 | % | 2013 | % |
|--|--------------------|-------|--------------------|-------|
| REVENUES | | | | |
| Child care | \$ 2,034,273 | 44.7 | \$ 1,776,139 | 41.8 |
| Membership fees | 1,309,019 | 28.7 | 1,173,919 | 27.6 |
| Government contracts | 699,663 | 15.4 | 613,779 | 14.5 |
| Gaming | 200,000 | 4.4 | 250,000 | 5.9 |
| Program fees | 141,733 | 3.1 | 194,123 | 4.6 |
| Community events and donations | 57,987 | 1.3 | 98,778 | 2.3 |
| Miscellaneous income | 43,939 | 1.0 | 64,700 | 1.5 |
| Capital joiner fees | 40,338 | 0.9 | 45,188 | 1.1 |
| Facility and equipment rental | 26,922 | 0.6 | 29,327 | 0.7 |
| | <u>4,553,874</u> | 100.0 | <u>4,245,953</u> | 100.0 |
| EXPENDITURES (Schedule 1) | <u>4,608,401</u> | 101.2 | <u>4,304,942</u> | 101.4 |
| DEFICIENCY OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS | <u>(54,527)</u> | (1.2) | <u>(58,989)</u> | (1.4) |
| OTHER ITEMS | | | | |
| Loss on sale of tangible capital assets | (168) | | - | |
| Interest income | 2,340 | 0.1 | 595 | |
| | <u>2,172</u> | | <u>595</u> | |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | <u>\$ (52,355)</u> | (1.1) | <u>\$ (58,394)</u> | (1.4) |

See accompanying notes to these financial statements

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2014**


| | INVESTED IN TANGIBLE CAPITAL ASSETS | FUTURE CAPITAL RESERVE FUND | CONTINGENCY FUND RESERVE | NET ASSETS APPROPRIATED | UNRESTRICTED NET ASSETS | TOTAL 2014 | TOTAL 2013 |
|---|--|-----------------------------------|-----------------------------|----------------------------|----------------------------|---------------|---------------|
| NET ASSETS, BEGINNING OF YEAR | \$ 1,590,185 | \$ 105,285 | \$ 105,285 | \$ 38,075 | \$ 114,074 | \$ 1,952,904 | \$ 2,011,298 |
| Deficiency of revenues over expenditures | - | - | - | - | (52,355) | (52,355) | (58,394) |
| Appropriation of net assets | - | - | - | 940 | - | 940 | - |
| Reserve funding | - | 2,334 | 2,334 | - | (4,668) | - | - |
| Amortization of tangible capital assets | (314,671) | - | - | - | 314,671 | - | - |
| Purchase of tangible capital assets | 94,560 | - | - | - | (94,560) | - | - |
| Repayment of callable debt | 79,124 | - | - | - | (79,124) | - | - |
| NET ASSETS, END OF YEAR | \$ 1,448,258 | \$ 107,619 | \$ 107,619 | \$ 39,955 | \$ 198,038 | \$ 1,901,489 | \$ 1,952,904 |

See accompanying notes to these financial statements

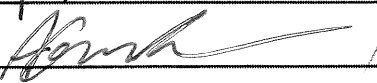
**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014**

| | 2014 | 2013 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 575,066 | \$ 429,891 |
| Accounts receivable (Note 2) | 115,070 | 100,377 |
| Due from government agencies (Note 5) | 3,718 | 6,960 |
| Prepaid expenses | 4,319 | 7,955 |
| | <u>698,173</u> | <u>545,183</u> |
| RESTRICTED CASH (Note 3) | 245,109 | 235,395 |
| TANGIBLE CAPITAL ASSETS (Note 4) | <u>2,846,753</u> | <u>3,034,765</u> |
| | <u>\$ 3,790,035</u> | <u>\$ 3,815,343</u> |

Approved on behalf of the board



Director



Director

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014**

| | 2014 | 2013 |
|---|---------------------|---------------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 171,886 | \$ 142,722 |
| Due to government agencies (Note 5) | 38,916 | 11,575 |
| Deferred revenue (Note 6) | 312,288 | 263,562 |
| Current portion of callable debt (Note 7) | 82,207 | - |
| | <u>605,297</u> | <u>417,859</u> |
| Current liabilities before callable debt | 605,297 | 417,859 |
| Callable debt (Note 7) | <u>1,283,249</u> | <u>1,444,580</u> |
| | 1,888,546 | 1,862,439 |
| COMMITMENTS (Note 8) | | |
| CONTINGENCY (Note 12) | | |
| NET ASSETS (Note 9) | <u>1,901,489</u> | <u>1,952,904</u> |
| | <u>\$ 3,790,035</u> | <u>\$ 3,815,343</u> |

See accompanying notes to these financial statements

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
STATEMENT OF CASH FLOW
YEAR ENDED AUGUST 31, 2014

| | 2014 | 2013 |
|--|---------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Deficiency of revenues over expenditures | \$ (52,355) | \$ (58,394) |
| Adjustments for items which do not affect cash | | |
| Amortization | 282,055 | 277,431 |
| Loss on sale of tangible capital assets | 168 | - |
| Net assets appropriated | 940 | 697 |
| | <u>230,808</u> | <u>219,734</u> |
| Change in non-cash working capital items (Note 10) | 97,415 | 38,546 |
| | <u>328,223</u> | <u>258,280</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of tangible capital assets | (94,560) | (322,419) |
| Proceeds on disposal of tangible capital assets | 350 | - |
| | <u>(94,210)</u> | <u>(322,419)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of callable debt | (79,124) | (55,420) |
| Proceeds of callable debt | - | 209,467 |
| Government capital grant | - | 30,000 |
| | <u>(79,124)</u> | <u>184,047</u> |
| INCREASE IN CASH | 154,889 | 119,908 |
| CASH, BEGINNING OF YEAR | <u>665,286</u> | <u>545,378</u> |
| CASH, END OF YEAR | <u><u>\$ 820,175</u></u> | <u><u>\$ 665,286</u></u> |
| CASH CONSISTS OF: | | |
| Cash | \$ 575,066 | \$ 429,891 |
| Restricted cash | 245,109 | 235,395 |
| | <u><u>\$ 820,175</u></u> | <u><u>\$ 665,286</u></u> |
| OTHER INFORMATION | | |
| Interest paid | \$ 52,576 | \$ 48,530 |
| Interest received | \$ 2,340 | \$ 595 |

See accompanying notes to these financial statements

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

DESCRIPTION OF OPERATIONS

The Young Men's Christian Association of Northern BC [the "Association" or the "YMCA"] is an independent, charitable organization dedicated to the development of people in spirit, mind and body as well as the improvement of local communities. The Association is incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act (Canada) and accordingly is not subject to income taxes

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part III of the CPA Canada Handbook - Accounting Standards for Not-for-Profit Organizations which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include grants and donations. Externally restricted contributions are initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants and donations, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Program fees, childcare fees and membership fees are recognized as revenue over the period to which the fees relate. Funds from government sources for services are recognized as revenue as the services to which the funds relate are delivered or performed. Amounts received in advance of meeting the criteria for revenue recognition are initially deferred and then recognized as revenue when earned. Contributions related to capital development projects and capital assets represent restricted contributions and are recognized as income on the same basis as the related assets are amortized.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in deficiency of revenues over expenditures in the period incurred.

Financial assets measured at amortized cost include cash, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, and long-term debt.

The organization has not designated any financial asset or financial liability to be measured at fair value.

Impairment

For financial assets measured at cost or amortized cost, the organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in deficiency of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be 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 deficiency of revenues over expenditures.

Tangible capital assets

Tangible capital assets are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates and methods are as follows:

| | |
|----------------------------------|------------------------|
| Buildings | 25 years Straight-line |
| Computer equipment | 30% Declining balance |
| Equipment | 20% Declining balance |
| Furniture and fixtures | 20% Declining balance |
| Vehicles | 30% Declining balance |
| Grants - Tangible capital assets | 25 years Straight-line |

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk to changes in their fair value.

Contributed materials and services

Volunteers contributed time an indeterminable number of hours per year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements.

Management 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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE

| | <u>2014</u> | <u>2013</u> |
|-----------------------------------|-------------------|-------------------|
| Trade receivables | \$ 43,769 | \$ 31,924 |
| Membership, Childcare receivables | 67,246 | 36,516 |
| Other receivables | 4,055 | 31,937 |
| | <u>\$ 115,070</u> | <u>\$ 100,377</u> |

3. RESTRICTED CASH

The Organization's restricted funds consist of:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Reserve Funds - internally restricted | \$ 215,239 | \$ 210,570 |
| Endowment Fund - externally restricted | 8,500 | 8,500 |
| Garret McComb Memorial Fund (YAP Program) - externally restricted | 21,370 | 16,325 |
| | <u>\$ 245,109</u> | <u>\$ 235,395</u> |

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

4. TANGIBLE CAPITAL ASSETS

| | <u>2014</u> | | <u>2013</u> | |
|-------------------------------------|---------------------|-----------------------------|---------------------|---------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Buildings | \$ 6,729,599 | \$ 3,381,660 | \$ 3,347,939 | \$ 3,576,713 |
| Computer equipment | 116,719 | 80,210 | 36,509 | 28,976 |
| Equipment | 849,674 | 570,255 | 279,419 | 301,714 |
| Furniture and fixtures | 292,136 | 212,674 | 79,462 | 85,935 |
| Vehicles | 91,753 | 47,005 | 44,748 | 33,086 |
| Grants - Tangible capital assets | <u>(1,258,368)</u> | <u>(317,044)</u> | <u>(941,324)</u> | <u>(991,659)</u> |
| | <u>\$ 6,821,513</u> | <u>\$ 3,974,760</u> | <u>\$ 2,846,753</u> | <u>\$ 3,034,765</u> |

5. DUE TO / FROM GOVERNMENT AGENCIES

| | <u>2014</u> | | <u>2013</u> | |
|--|------------------|-------------|------------------|--|
| Receiver General - GST collected / GST paid | \$ 3,718 | | \$ 6,960 | |
| | <u>2014</u> | <u>2013</u> | | |
| Receiver General - GST collected / GST paid | \$ 11,983 | | \$ 11,575 | |
| Receiver General - Payroll source deductions | 26,933 | | - | |
| | <u>\$ 38,916</u> | | <u>\$ 11,575</u> | |

6. DEFERRED REVENUE

| | <u>2014</u> | | <u>2013</u> | |
|------------|-------------------|--|-------------------|--|
| Grants | \$ 57,035 | | \$ 52,156 | |
| Childcare | 32,559 | | 24,347 | |
| Gaming | 125,000 | | 100,000 | |
| Membership | 77,725 | | 71,890 | |
| Programs | 11,598 | | 7,630 | |
| Other | 8,371 | | 7,539 | |
| | <u>\$ 312,288</u> | | <u>\$ 263,562</u> | |

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

7. CALLABLE DEBT

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| Bank loan bearing interest at prime plus 0.5% per annum, repayable in monthly payments of \$10,724 including interest, due on demand. The loan is secured by a General Security Agreement covering all assets and a Mortgage of Lease over the property. The loan matures on November 9, 2015. | \$ 1,362,445 | \$ 1,444,580 |
| Plus accrued interest as of August 31, 2014 | <u>3,011</u> | <u>-</u> |
| | <u>1,365,456</u> | <u>1,444,580</u> |
| Less current portion | <u>82,207</u> | <u>-</u> |
| Due beyond one year | <u>\$ 1,283,249</u> | <u>\$ 1,444,580</u> |

Subsequent to the statement of financial position the bank approved to renew the loan for one more year and therefore the maturity date of the above loan has been changed to November 9, 2015. No other changes to the loan agreement were made.

The organization is required to meet a specified debt service coverage and leverage ratio under its lending agreement. The organization is in compliance with these covenants as of the balance sheet date

Due to the demand feature, demand loans have been recorded as current. If the bank does not demand repayment, principal repayments in the next five years are estimated to be as follows:

| | |
|------------------|---------------------|
| 2015 | \$ 82,207 |
| 2016 | 85,131 |
| 2017 | 88,159 |
| 2018 | 91,295 |
| 2019 | 94,542 |
| Subsequent years | <u>924,122</u> |
| | <u>\$ 1,365,456</u> |

Interest on the above debt amounted to \$52,576 (2013 - \$48,530) for the year.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

8. COMMITMENTS

The Society leases land from the City of Prince George for \$1,000 per annum (2013 - \$1,000). The lease expires October 31, 2021 and may be renewed for a further 20 years.

9. NET ASSETS

| | <u>2014</u> | <u>2013</u> |
|-------------------------------------|---------------------|---------------------|
| | \$ 28,873 | \$ - |
| Invested in Tangible Capital Assets | 1,448,258 | 1,590,185 |
| Future Capital Reserve Fund | 107,619 | 105,285 |
| Contingency Fund Reserve | 107,619 | 105,285 |
| Net Assets Appropriated | 39,955 | 38,075 |
| Unrestricted Net Assets | <u>169,165</u> | <u>114,074</u> |
| | <u>\$ 1,901,489</u> | <u>\$ 1,952,904</u> |

10. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

| | <u>2014</u> | <u>2013</u> |
|--|------------------|------------------|
| Accounts receivable | \$ (14,693) | \$ 38,340 |
| Due from government agencies | 3,242 | - |
| Prepaid expenses | 3,636 | 18,027 |
| Accounts payable and accrued liabilities | 29,163 | 4,990 |
| Due to government agencies | 27,341 | - |
| Deferred revenue | <u>48,726</u> | <u>(22,811)</u> |
| | <u>\$ 97,415</u> | <u>\$ 38,546</u> |

11. SUBSEQUENT EVENTS

Subsequent to the year end, there was a minor explosion within the maintenance room at the Massey facility. There was minor damage done within the maintenance room and there was no significant disruption to operations. Management's estimate of repairs is approximately \$2,000 - \$5,000, which is insignificant to the operations of the organization.

12. CONTINGENCIES

The Society has the following commitments and contingencies:

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

12. CONTINGENCIES (continued)

- (a) The Society has a line of credit available up to \$100,000 with an interest rate of prime plus 0.50% per annum and is secured by a General Security Agreement covering all assets and a Mortgage of Lease over the property. There is currently no funds drawn on this demand credit facility.
- (b) The Society holds a Standby Letter of credit for \$25,000 to secure a British Columbia Gaming License

These credit faculties were renewed on November 9, 2014 with no changes to terms and conditions.

13. INTERNALLY RESTRICTED NET ASSETS

Various funds received or raised by the Society are appropriated for specific purposes. These include the following:

- (a) Caron Family Fund
 - (i) The Caron family provides funding to be used for special needs programs designed for the benefit of their children.
- (b) Endowment Fund
 - (i) Donations to the fund are deposited in interest - bearing investments; interest earned by this perpetual fund is to be used by the Society, leaving the principal intact.
- (c) Garret McComb Memorial Fund
 - (i) Donations to the fund are deposited in interest bearing investments. Up to 90% of the annual interest may be used to provide encouragement, support and financial assistance to help young people who have been involved with the Youth Around Prince George program meet their education goals.
- (d) YAP Dandelion Fund
 - (i) This fund is used for costs of youth driven programs in Prince George and Area.

The Board of Directors appropriated Internally Restricted funds to be used as follows as at August 31, 2014:

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

13. INTERNALLY RESTRICTED NET ASSETS (continued)

| | Caron Family Fund | Endowment Fund | Garret McComb Memorial Fund | YAP Dandelion Fund | Total |
|---|----------------------|-------------------|-----------------------------------|-----------------------|-----------|
| Closing balance as at August 31, 2013 | \$ 4,083 | \$ 8,500 | \$ 16,325 | \$ 9,167 | \$ 38,075 |
| Transfer from (to) Unrestricted | (4,083) | - | (2,005) | (1,522) | (7,610) |
| Allocation of income | - | - | 7,050 | 1,500 | 8,550 |
| Closing balance as at August 31, 2014 | \$ - | \$ 8,500 | \$ 21,370 | \$ 9,145 | \$ 39,015 |

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

14. RESERVE FUNDS

The Society has the following reserve funds:

- (a) The Future Capital Reserve Fund
 - (i) Funds are set aside to finance unexpected or significant capital expenditures
- (b) The Contingency Reserve Fund
 - (i) Funds are set aside to finance an unexpected or significant change in operating revenues and / or expenditures

The Society must follow the following guidelines when using the funds from these reserves:

- (a) Funds must be approved by the Finance Committee or Board of Directors
- (b) Funds must be replenished in the next fiscal year unless there is a deficit then 50% of the subsequent years surplus will be used until the reserve is at \$100,000
- (c) A contribution of no less than 1% of revenue over expenditures before amortization will be made to both funds
- (d) No fund may exceed \$200,000

15. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

- (a) Credit risk

The organization does have credit risk in accounts receivable of \$115,070 (2013 - \$100,377). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization reduces its exposure to credit risk by performing credit valuations on a regular basis; granting credit upon a review of the credit history of the applicant and creating an allowance for bad debts when applicable. The organization maintains strict credit policies and limits in respect to counterparties. In the opinion of management the credit risk exposure to the organization is low and is not material.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014**

15. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

The organization does have a liquidity risk in the accounts payable and accrued liabilities of \$171,886 (2013 - \$142,722). Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the organization is low and is not material.

(c) Interest rate risk

The organization is exposed to interest rate risk due to the variable rate interest on their long-term debt. Changes in the lending rates may cause fluctuations in cash flows and interest expense.

16. COMPARATIVE FIGURES

The Statement of Financial Position as at August 31, 2013 and the statements of operations, changes in net assets and cash flow for the year then ended were reported on by another firm of Chartered Accountants who issued an qualified opinion in their report dated December 20, 2013.

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHERN BC
 SCHEDULE 1 - EXPENDITURES
 YEAR ENDED AUGUST 31, 2014**

| | 2014 | % | 2013 | % |
|-------------------------------|---------------------|--------------|---------------------|--------------|
| Advertising and promotion | \$ 83,647 | 1.8 | \$ 71,102 | 1.7 |
| Affiliation fees | 73,199 | 1.6 | 62,630 | 1.5 |
| Amortization | 282,055 | 6.2 | 277,431 | 6.5 |
| Bad debts | 13,636 | 0.3 | 10,158 | 0.2 |
| Community events | 1,331 | | 58,409 | 1.4 |
| Insurance | 38,899 | 0.9 | 32,303 | 0.8 |
| Interest and bank charges | 73,145 | 1.6 | 63,783 | 1.5 |
| Interest on long-term debt | 52,576 | 1.2 | 48,530 | 1.1 |
| International support | 9,700 | 0.2 | 6,500 | 0.2 |
| Janitorial | 33,144 | 0.7 | 32,970 | 0.8 |
| Office | 59,611 | 1.3 | 59,989 | 1.4 |
| Professional fees | 29,380 | 0.6 | 24,562 | 0.6 |
| Facility and equipment rent | 40,958 | 0.9 | 37,290 | 0.9 |
| Repairs and maintenance | 75,103 | 1.6 | 68,491 | 1.6 |
| Subcontract | 28,945 | 0.6 | 25,394 | 0.6 |
| Program supplies and expenses | 173,884 | 3.8 | 185,052 | 4.4 |
| Telephone | 27,584 | 0.6 | 38,729 | 0.9 |
| Conferences and Training | 63,387 | 1.4 | 114,106 | 2.7 |
| Travel and automotive | 73,675 | 1.6 | 57,095 | 1.3 |
| Utilities | 123,241 | 2.7 | 114,769 | 2.7 |
| Wages and benefits | 3,251,301 | 71.4 | 2,915,649 | 68.7 |
| | \$ 4,608,401 | 101.2 | \$ 4,304,942 | 101.4 |