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# Financial statements of The YMCAs of Québec

December 31, 2016

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## Independent Auditor's Report

To the Members of  
The YMCAs of Québec

We have audited the accompanying financial statements of The YMCAs of Québec, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows 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 entity'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 entity'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 YMCAs of Québec as at December 31, 2016, and the results of its activities and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Deloitte LLP*<sup>1</sup>

March 29, 2017

<sup>1</sup> CPA auditor, CA, public accountancy permit No. A120628

**The YMCAs of Québec**  
**Statement of operations**  
Year ended December 31, 2016

Notes	2016	2015
	\$	\$
<b>Revenue</b>		
Program activities	28,196,054	29,175,729
Grants for programs	14,895,141	12,854,737
Rent	1,753,444	1,722,838
Grants for installations	1,772,882	1,762,983
Grants for installations – interest	315,601	368,921
Donations from the YMCAs of Québec Foundation	1,081,824	1,289,286
Other contributions	1,404,454	1,456,954
Investment revenue	57,208	98,664
	<b>49,476,608</b>	<b>48,730,112</b>
<b>Expenses</b>		
Salaries and social benefits	28,867,427	29,434,017
Program expenses	3,325,430	3,450,871
Repairs and replacements, maintenance supplies and service contracts	4,890,144	5,050,466
Heat and electricity	1,617,615	1,664,084
Rent	1,158,060	1,162,782
Office expenses	936,464	1,036,197
Professional fees	1,113,669	845,181
Advertising expenses	664,250	685,529
Employees expenses and development	547,919	704,887
Insurance and taxes	742,790	711,029
Bank charges	314,729	423,608
YMCA Canada fees and other dues	652,279	635,891
Contributions to the YMCAs of Québec Foundation's operations	—	334,937
Bad debts	179,979	134,078
Other expenses	252,546	148,490
	<b>45,263,301</b>	<b>46,422,047</b>
Excess of revenue over expenses before the following items	4,213,307	2,308,065
Interest on mortgage loans and other financing costs	(444,320)	(542,140)
Amortization of capital assets	(3,581,998)	(3,655,272)
Amortization of deferred contributions related to capital assets	1,529,146	1,480,123
Excess (deficiency) of revenue over expenses before the change in fair value of interest rate swap agreements	1,716,135	(409,224)
Change in fair value of interest rate swap agreements	101,093	(61,988)
<b>Excess (deficiency) of revenue over expenses</b>	<b>1,817,228</b>	<b>(471,212)</b>

The accompanying notes are an integral part of the financial statements.

**The YMCAs of Québec**  
**Statement of changes in net assets**  
Year ended December 31, 2016

	<b>Invested in capital assets</b>	<b>Unrestricted</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balances, December 31, 2014	10,960,055 <sup>(3)</sup>	2,112,523	13,072,578
(Deficiency) excess of revenue over expenses	(2,237,137) <sup>(1)</sup>	1,765,925	(471,212)
Investment in capital assets	2,798,400 <sup>(2)</sup>	(2,798,400)	—
Balances, December 31, 2015	<b>11,521,318<sup>(3)</sup></b>	<b>1,080,048</b>	<b>12,601,366</b>
Excess (deficiency) of revenue over expenses	<b>(1,951,759)<sup>(1)</sup></b>	<b>3,768,987</b>	<b>1,817,228</b>
Investment in capital assets	<b>1,211,073<sup>(2)</sup></b>	<b>(1,211,073)</b>	—
Balances, December 31, 2016	<b>10,780,632<sup>(3)</sup></b>	<b>3,637,962</b>	<b>14,418,594</b>

	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
(1) Composed of:		
Amortization of capital assets	<b>(3,581,998)</b>	(3,655,272)
Amortization of deferred contributions related to capital assets	<b>1,529,146</b>	1,480,123
Change in fair value of interest rate swap agreements	<b>101,093</b>	(61,988)
	<b>(1,951,759)</b>	(2,237,137)
(2) Composed of:		
Receipt of grants receivable	<b>(1,264,186)</b>	(1,212,318)
Additions to capital assets	<b>1,260,995</b>	2,605,874
Repayment of debt	<b>1,720,952</b>	1,717,400
Increase of debt	<b>(310,128)</b>	—
Increase in deferred contributions related to capital assets	<b>(196,560)</b>	(312,556)
	<b>1,211,073</b>	2,798,400
(3) Composed of:		
Short-term grants receivable	<b>1,318,681</b>	1,264,186
Long-term grants receivable	<b>5,704,596</b>	7,023,277
Capital assets	<b>35,465,928</b>	37,786,931
Current portion of debt	<b>(1,806,877)</b>	(1,620,952)
Debt	<b>(9,573,753)</b>	(11,170,502)
Deferred contributions related to capital assets	<b>(20,168,877)</b>	(21,501,463)
Interest rate swap agreements	<b>(159,066)</b>	(260,159)
	<b>10,780,632</b>	11,521,318

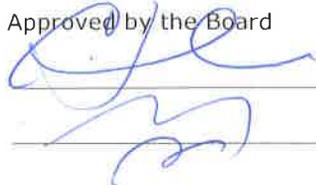
The accompanying notes are an integral part of the financial statements.

**The YMCAs of Québec**  
**Statement of financial position**  
As at December 31, 2016

	Notes	2016 \$	2015 \$
<b>Assets</b>			
Current assets			
Cash		3,233,849	1,820,112
Investments	3	2,603,849	2,524,237
Accounts receivable	4	2,449,093	1,782,707
Grants receivable	6	1,318,681	1,264,186
Amount receivable from the YMCAs of Québec Foundation	9	919,102	424,257
Supplies and prepaid expenses		563,332	601,608
		<b>11,087,906</b>	8,417,107
Investments	3	1,546,781	1,569,311
Grants receivable	6	5,704,596	7,023,277
Advance receivable from the YMCAs of Québec Foundation	9	1,118,727	497,523
Capital assets	5	35,465,928	37,786,931
		<b>54,923,938</b>	55,294,149
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		4,411,355	4,356,443
Deferred revenue related to program activities		2,259,976	1,819,332
Deferred revenue – other		2,085,484	1,844,066
Current portion of debt	6	1,806,877	1,620,952
		<b>10,563,692</b>	9,640,793
Debt	6	9,573,753	11,170,502
Deferred contributions related to capital assets	7	20,168,877	21,501,463
Interest rate swap agreements		159,066	260,159
Other liabilities		39,956	119,866
		<b>40,505,344</b>	42,692,783
Commitments	11		
<b>Net assets</b>			
Invested in capital assets		10,780,632	11,521,318
Unrestricted		3,637,962	1,080,048
		<b>14,418,594</b>	12,601,366
		<b>54,923,938</b>	55,294,149

The accompanying notes are an integral part of the financial statements.

Approved by the Board



, Director

, Director

**The YMCAs of Québec**  
**Statement of cash flows**  
Year ended December 31, 2016

	Notes	2016	2015
		\$	\$
<b>Operating activities</b>			
Excess (deficiency) of revenue over expenses		1,817,228	(471,212)
Adjustments for:			
Change in fair value of investments		19,404	5,778
Amortization of capital assets		3,581,998	3,655,272
Amortization of deferred contributions related to capital assets		(1,529,146)	(1,480,123)
Change in fair value of interest rate swap agreements		(101,093)	61,988
		<b>3,788,391</b>	<b>1,771,703</b>
Changes in non-cash operating working capital items	10	<b>108,864</b>	<b>(528,657)</b>
		<b>3,897,255</b>	<b>1,243,046</b>
<b>Investing activities</b>			
Increase of the advance receivable from the YMCAs of Québec Foundation		(1,116,049)	(295,715)
Investments acquisition		(364,996)	(838,241)
Investments disposal		288,510	2,489,225
Additions to capital assets	10	(950,867)	(2,605,874)
		<b>(2,143,402)</b>	<b>(1,250,605)</b>
<b>Financing activities</b>			
Receipt of grants receivable		1,264,186	1,212,318
Repayment of debt	10	(1,720,952)	(1,717,400)
Increase in deferred contributions related to capital assets		196,560	312,556
Decrease of other long-term liabilities		(79,910)	(140,578)
		<b>(340,116)</b>	<b>(333,104)</b>
Net increase (decrease) in cash		<b>1,413,737</b>	<b>(340,663)</b>
Cash, beginning of year		<b>1,820,112</b>	<b>2,160,775</b>
<b>Cash, end of year</b>		<b>3,233,849</b>	<b>1,820,112</b>

The accompanying notes are an integral part of the financial statements.

**1. Status and nature of activities**

The YMCAs of Québec (the “YMCA”) is a registered charity committed to the fulfilment of people in spirit, mind and body, and to the development of self-reliance in the individual, family and to the community.

Through its actions, programs and services, the YMCA reflects the needs and aspirations of communities and works with individuals and local communities in developing countries to achieve social justice and control of their environment.

The YMCA is incorporated under Part III of the *Companies Act* (Québec) and is a registered charity under the *Income Tax Act*.

**2. Accounting policies**

These financial statements have been prepared in accordance with Canadian accounting standards for not for-profit organizations and include the following significant accounting policies:

*Revenue recognition*

The YMCA 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.

Restricted contributions related to capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

The revenue related to the program activities is recognized when the underlying services to such income were made.

*Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value when the YMCA becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments that are recognized at fair value at the date of the financial statements. Fair value fluctuations, which include interest earned, accrued interests, realized gain and loss and unrealized gain and loss, are included in the investment revenue.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statement of operations as interest income or expense.

With respect to financial assets measured at amortized cost, the YMCA recognizes in the statement of operations an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the statement of operations in the period the reversal occurs.

## **2. Accounting policies (continued)**

### *Interest rate swap agreements*

The YMCA uses interest rate swap agreements to manage the interest rate risk related to bank acceptances. The YMCA has chosen not to prepare the documentation necessary for the application of hedge accounting.

Therefore, the interest rate swap agreements have been recorded at fair value as a liability in the statement of financial position. The fair value is determined based on stock quotes and prices obtained from financial institutions for identical or similar derivative financial instruments. Changes in the fair value of interest rate swap agreements are presented in the statement of operations as a change in fair value of interest rate swap agreements.

### *Supplies*

Supplies are valued at the lower of cost or replacement value. The first-in, first-out method is used in the calculation of the cost.

### *Capital assets*

Capital assets are recorded at cost and are amortized over their estimated useful lives using the straight-line method over the following terms:

Buildings	25 and 40 years
Leasehold improvements	Over the term of the lease
Major renovations	10 years
Vehicles, furniture and equipment	3 to 5 years

### *Deferred revenue related to program activities*

Deferred revenue related to program activities relate to community development programs that are government funded, to contributions from various donors and to donations from the YMCAs of Québec Foundation.

### *Deferred revenue – other*

Other deferred revenue relate to amounts received for which services will be rendered during the next year.

### *Use of estimates*

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**The YMCAs of Québec**  
**Notes to the financial statements**  
December 31, 2016

**3. Investments**

	2016	2015
	\$	\$
Term deposit, 0.95%, maturing in January 2017 (as at December 31, 2015: 0.95%, maturing in January 2017)	100,000	100,000
Canadian bonds (as at December 31, 2015: 2.25% to 4.85%, maturing between June and December 2016)	—	281,996
Diversified mutual funds	4,050,630	3,711,552
	<b>4,150,630</b>	4,093,548
Current portion	2,603,849	2,524,237
	<b>1,546,781</b>	1,569,311

**4. Accounts receivable**

	2016	2015
	\$	\$
Clients	173,155	176,243
Allowance for doubtful accounts	(67,900)	(66,400)
	<b>105,255</b>	109,843
Accrued interest receivable on subsidized debts	183,725	215,712
Other	2,160,113	1,457,152
	<b>2,449,093</b>	1,782,707

**5. Capital assets**

	2016			2015
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Lands	2,601,730	—	2,601,730	2,601,730
Buildings, leasehold improvements and major renovations	81,067,605	49,890,747	31,176,858	33,511,166
Vehicles, furniture and equipment	9,526,199	7,838,859	1,687,340	1,674,035
	<b>93,195,534</b>	<b>57,729,606</b>	<b>35,465,928</b>	37,786,931

6. Debt

	2016	2015
	\$	\$
Bankers' acceptances related to the Cartierville YMCA Center	5,595,985	6,005,540
Note payable related to the Cartierville YMCA Center	4,156,594	4,877,892
Du Parc YMCA Center mortgage loan	1,397,923	1,858,022
Loan from YMCA Canada	210,128	—
Note payable	20,000	50,000
	<b>11,380,630</b>	12,791,454
Current portion	<b>1,806,877</b>	1,620,952
Long-term portion	<b>9,573,753</b>	11,170,502

Principal payments required in each of the forthcoming years are as follows:

	\$
2017	1,806,877
2018	1,801,000
2019	1,705,803
2020	5,156,410
2021	910,540

*Bankers' acceptances related to the Cartierville YMCA Center*

Under a credit agreement, the YMCA obtained, on March 31, 2010, credit facilities of an initial amount of \$7,000,000 and \$964,000 for periods of seven and five years, respectively, allowing it to borrow amounts in the form of discounted bankers' acceptances for a term varying from one month to one year. These credit facilities in the amount of \$5,552,770 and \$486,587 were renewed during the year ended December 31, 2015, and mature on November 30, 2020, and June 30, 2020. The discounted bankers' acceptances related to the Cartierville YMCA Center held as at December 31, 2016, have a term of one month, nominal values of \$5,218,278 and \$377,707, bear interest at an effective rate of 2.15% plus stamping fees of 0.93%, and mature on January 30, 2017. To protect against the risk of potential interest rate fluctuations on these bankers' acceptances, the YMCA has entered into interest rate swap agreements. These derivative contracts are as follows:

- (a) Initial nominal amount of \$5,552,770, periodically reduced based on a predetermined schedule until its expected maturity on November 30, 2020, bearing interest at a fixed rate of 3.08% in exchange for receiving a variable interest rate based on the one-month CDOR rate. Of this amount, an initial amount of \$1,957,430 is subsidized by an external organization;
- (b) Nominal amount of \$486,587, periodically reduced based on a predetermined schedule until its expected maturity on June 30, 2020, bearing interest at a fixed rate of 3.08% in exchange for receiving a variable interest rate based on the one-month CDOR rate.

To maintain this financing, the YMCA must satisfy financial ratios related to debt service coverage and minimum net assets. The YMCA was in compliance with these ratios as at December 31, 2016.

**6. Debt (continued)**

*Note payable related to the Cartierville YMCA Center*

This note payable bears interest at 4.77%, repayable in monthly principal instalments of \$953,973, including interest and matures in January 2021.

A grant from the ministère de l'Éducation et de l'Enseignement supérieur for this project will repay the loan.

To maintain this financing, the YMCA must satisfy the same financial ratios as those of the bankers' acceptance related to the Cartierville YMCA Center. As at December 31, 2016, the YMCA was in compliance with these ratios.

*Du Parc YMCA Center mortgage loan*

The YMCA has a mortgage loan for which the YMCA has signed an agreement with a donor organization (the "Organization"). The Organization has agreed to pay for the mortgage loan (capital and interest) associated with the construction of the Du Parc YMCA Center. The mortgage loan bears interest at 3.63% and matures in October 2019.

*Loan from YMCA Canada*

YMCA Canada made a loan to the YMCA as part of a project to replace the registration software. The outstanding balance is non-interest bearing and is repayable in variable monthly instalments maturing in 2021.

*Note payable*

In 2011, the YMCA concluded an agreement with an individual for the purchase of a residence of an amount of \$220,000, of which \$20,000 was payable upon signing the contract. The rest of the note payable is interest free and is repayable in monthly principal instalments of \$2,500, beginning January 2011 and matures in July 2017.

*Grants receivable relating to subsidized debts*

The balance of the grants receivable related to the subsidized debts, in the amount of \$7,023,277 (\$8,287,463 in 2015), is as follows:

	<b>2016</b>	2015
	<b>\$</b>	\$
Short-term grants receivable	<b>1,318,681</b>	1,264,186
Long-term grants receivable	<b>5,704,596</b>	7,023,277

The donor organizations have also agreed to pay the interest on the portion of the loans covered by the grants. The subsidized interest expense amounts to \$315,601 (\$368,921 in 2015).

**7. Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent restricted contributions, from the YMCAs of Québec Foundation, government organizations, the City of Montréal and a private company. These contributions relate primarily to the buildings of the Cartierville YMCA Center, the Du Parc YMCA Center, the Downtown YMCA Center, the West Island YMCA Center, the YMCA Kanawana Camp and the improvements of a daycare. Changes in deferred contribution balances are as follows:

	<b>2016</b>	2015
	<b>\$</b>	\$
Balance, beginning of year	<b>21,501,463</b>	22,669,030
Contributions received	<b>196,560</b>	312,556
Amortization for the year	<b>(1,529,146)</b>	(1,480,123)
Balance, end of year	<b>20,168,877</b>	21,501,463

**8. Letter of guarantee**

Under an agreement between the City of Montréal and the Downtown YMCA Center, the YMCA issued a \$100,000 letter of guarantee in favour of the City of Montréal. This letter of guarantee expires in 2017, and is secured by a term deposit of the same amount.

**9. The YMCAs of Québec Foundation**

The financial statements do not include the assets, liabilities and activities of the YMCAs of Québec Foundation (the "Foundation"). The Foundation was established to perform the fundraising activities of the YMCA; therefore, the YMCA has an economic interest in the Foundation.

During the year, the YMCA recorded revenue of \$1,081,824 (\$1,289,286 in 2015), deferred contributions related to capital assets of \$18,415 (\$16,689 in 2015) and decreased deferred revenue related to program activities by \$12,130 (increased of \$27,063 in 2015), for a total of \$1,088,109 (\$1,333,038 in 2015) from the Foundation. The YMCA has also paid the Foundation a total of nil (\$334,937 in 2015) as a contribution to the Foundation's operations.

These transactions were carried out in the normal course of business and measured at the exchange amount, which is the amount of the consideration established and agreed to by the parties.

The following table is a summary of the Foundation's financial position as at December 31, 2016, and the results of its operations for the year ended December 31, 2016:

	<b>2016</b>	2015
	<b>\$</b>	\$
<b>Financial position</b>		
Total assets	<b>7,294,587</b>	6,798,689
Total liabilities	<b>2,656,891</b>	1,372,138
Total fund balances	<b>4,637,696</b>	5,426,551

Liabilities include a total amount of \$2,037,829 (\$921,780 in 2015) payable to the YMCA.

**9. The YMCAs of Québec Foundation (continued)**

	2016	2015
	\$	\$
<b>Results of operating activities</b>		
Fund balances, beginning of year	5,426,551	5,132,543
Total revenue, excluding endowment contributions	1,320,120	1,355,670
Endowment contributions	34,617	808,064
Total expenses and donations	(2,143,592)	(1,869,726)
Net (decrease) increase in fund balances	(788,855)	294,008
Fund balances, end of year	4,637,696	5,426,551

**10. Additional information to the statement of cash flows**

*a) Changes in non-cash operating working capital items*

	2016	2015
	\$	\$
Accounts receivable	(666,386)	433,193
Supplies and prepaid expenses	38,276	(61,496)
Accounts payable and accrued liabilities	54,912	(619,703)
Deferred revenue related to program activities	440,644	(142,016)
Deferred revenue – other	241,418	(138,635)
	108,864	(528,657)

*b) Non-cash transaction*

Acquisition of capital assets were financed by a new debt for an amount of \$310,128.

**11. Commitments**

The YMCA is committed to leasing premises under leases and has signed service contracts with suppliers expiring through 2021. Future payments will total \$5,570,901 and include the following amounts over the forthcoming years.

	\$
2017	1,904,386
2018	1,243,014
2019	902,882
2020	806,968
2021	713,651

## **12. Financial assistance**

As part of its charitable mission, the YMCA provides a financial assistance program to individuals who meet specific criteria. The access for all program gives individuals with limited financial resources access to community or fitness activities at a reduced fee. The amount of financial assistance provided in 2016 is \$1,196,584 (\$1,211,849 in 2015).

## **13. Financial instruments**

Because of its financial assets and liabilities, the YMCA is exposed to the following risks related to the use of financial instruments:

### *Credit risk*

In the normal course of business, the YMCA grants credit to members and maintains allowances for potential bad debt, if applicable.

### *Market risk*

Market risk is the risk that investments in diversified mutual funds are exposed to, caused by changes in interest rates, exchange rates, stock exchange indicators and the level of volatility of these rates and indicators.

### *Interest rate risk*

A portion of the debt bears interest at a fixed rate, whereas the interest related to the other portion is subsidized. Consequently, cash flow risk is minimal.

The YMCA is exposed to interest rate risk due to changes in the prime rate since the bankers' acceptances bear interest at variable rates. To manage this volatility, the YMCA uses interest-rate swap agreements to set the interest rates of the bankers' acceptances at 3.08% and that mature on June 30, 2020, and November 30, 2020.