Financial statements of
The YMCAs of Québec

December 31, 2013

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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 (the "YMCA"), which comprise the statement of financial position as at December 31, 2013, 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 YMCA as at December 31, 2013, 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[1]

June 10, 2014

[1] CPA auditor, CA, public accountancy permit No. A120628

The YMCAs of Québec

Statement of operations

Year ended December 31, 2013

	Notes	2013	2012
		$	$
Revenue			
Program activities		**29,376,502**	28,411,001
Government - fees for services		**9,009,306**	8,339,970
Institutional services		**3,704,137**	4,020,527
Rent		**1,697,554**	1,667,107
Additional grant for installations		**1,563,417**	1,540,261
Additional grant for installations - interest		**525,782**	579,624
Centraide of Greater Montreal - community services		**1,486,754**	1,486,754
Donations of the YMCAs of Québec Foundation		**1,216,386**	875,871
Investment revenue		**81,588**	121,772
		48,661,426	47,042,887
Expenses			
Salaries and social benefits		**27,936,753**	26,244,086
Program expenses		**4,135,055**	4,200,200
Repairs and replacements, maintenance supplies and service contracts		**4,589,800**	4,422,381
Heat and electricity		**1,520,617**	1,440,895
Rent		**1,145,340**	1,102,181
Office expenses		**909,150**	948,025
Professional fees		**995,335**	884,338
Advertising expenses		**724,071**	837,667
Employees expenses and development		**712,405**	676,740
Insurance and taxes		**674,794**	602,197
Bank charges		**474,735**	449,737
YMCA Canada fees and other dues		**512,431**	481,552
Contributions to the YMCAs of Québec Foundation's operations		**339,260**	319,208
Bad debts		**228,918**	196,150
Other expenses		**501,646**	413,407
		45,400,310	43,218,764
Excess of revenue over expenses before the following items		**3,261,116**	3,824,123
Interest on mortgage loan and other financing costs		**(742,124)**	(817,356)
Amortization of capital assets		**(3,575,253)**	(3,699,522)
Amortization of deferred contributions related to capital assets	8	**1,499,085**	1,539,661
Excess of revenue over expenses before the change in fair value of interest rate swap agreements		**442,824**	846,906
Change in fair value of interest rate swap agreements		**128,872**	163,185
Excess of revenue over expenses		**571,696**	1,010,091

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

The YMCAs of Québec

Statement of changes in net assets

Year ended December 31, 2013

	Invested in Capital assets	Internally restricted	Unrestricted	Total
	$	$	$	$
Balance, as at January 1, 2012	9,366,902	—	2,034,061	11,400,963
Excess (deficiency) of revenue over expenses	(2,001,003) (1)	—	3,011,094	1,010,091
Investment in capital assets	2,037,843 (2)	—	(2,037,843)	—
Transfer	—	1,500,000	(1,500,000)	—
Balance, as at December 31, 2012	9,403,742 (3)	1,500,000	1,507,312	12,411,054
Excess (deficiency) of revenue over expenses	**(1,979,728)** (1)	**(177,805)**	**2,729,229**	**571,696**
Investment in capital assets	**2,564,558** (2)	**(459,786)**	**(2,104,772)**	**—**
Balance, as at December 31, 2013	**9,998,572** (3)	**862,409**	**2,131,769**	**12,982,750**

			2013	2012
			$	$
(1)	Composed of:	Amortization of capital assets	**(3,575,253)**	(3,699,522)
		Loss on disposal of capital assets	**(32,432)**	(4,327)
		Amortization of deferred contributions related to capital assets	**1,499,085**	1,539,661
		Change in fair value of interest rate swap agreements	**128,872**	163,185
			(1,979,728)	(2,001,003)
(2)	Composed of:	Receipt of grants receivable	**(1,083,871)**	(1,031,472)
		Additions to capital assets	**2,225,802**	1,851,157
		Repayment of long-term debt	**1,570,762**	1,507,036
		Repayment of obligation under capital leases	**28,712**	32,251
		Increase in deferred contributions related to capital assets	**(176,847)**	(321,129)
			2,564,558	2,037,843

		2013	2012
		$	$
[3] Composed of:	Short-term grants receivable	**1,069,515**	1,083,871
	Long-term grants receivable	**9,572,200**	10,641,715
	Capital assets	**39,724,814**	41 106 697
	Current portion of long-term debt	**(3,941,051)**	(1,570,762)
	Current portion of obligation under capital leases	**—**	(28,712)
	Long-term debt	**(12,206,817)**	(16,147,868)
	Deferred contributions related to capital assets	**(23,983,702)**	(25,305,940)
	Interest rate swap agreements	**(246,387)**	(375,259)
		9,988,572	9,403,742

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

The YMCAs of Québec
Statement of financial position
As at December 31, 2013

	Notes	2013	2012
		$	$
Assets			
Current assets			
Cash		**1,916,080**	2,225,124
Investments	3	**2,677,283**	2,215,012
Accounts receivable	4	**2,667,354**	2,369,385
Grants receivable	7	**1,069,515**	1,083,871
Amount receivable from the YMCAs of Québec Foundation	10	**489,454**	480,350
Supplies and prepaid expenses		**433,979**	362,470
		9,253,665	8,736,212
Investments	3	**2,910,549**	3,229,771
Grants receivable	7	**9,572,200**	10,641,715
Capital assets	5	**39,724,814**	41,106,697
		61,461,228	63,714,395
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	**4,270,903**	4,107,704
Deferred revenue related to program activities		**759,341**	693,786
Deferred revenue - other		**2,726,204**	2,708,236
Current portion of long-term debt	7	**3,941,051**	1,570,762
Current portion of obligation under capital leases		**—**	28,712
		11,697,499	9,109,200
Long-term debt	7	**12,206,817**	16,147,868
Deferred contributions related to capital assets	8	**23,983,702**	25,305,940
Interest rate swap agreements		**246,387**	375,259
Other long-term liabilities		**344,073**	365,074
		48,478,478	51,303,341
Commitments	12		
Net assets			
Invested in capital assets		**9,988,572**	9,403,742
Internally restricted		**862,409**	1,500,000
Unrestricted		**2,131,769**	1,507,312
		12,982,750	12,411,054
		61,461,228	63,714,395

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

Approved by the Board

Julie Mac Allister, Director

Stéphane Vaillancourt, Director

The YMCAs of Québec

Statement of cash flows

Year ended December 31, 2013

		2013	2012
		$	$
Operating activities			
Excess of revenue over expenses		**571,696**	1,010,091
Adjustments for:			
Change in fair value of investments		**67,582**	34,645
Amortization of capital assets		**3,575,253**	3,699,522
Loss on disposal of capital assets		**32,432**	4,327
Amortization of deferred contributions related to capital assets		**(1,499,085)**	(1,539,661)
Change in fair value of interest rate swap agreements		**(128,872)**	(163,185)
		2,619,006	3,045,739
Changes in non-cash operating working capital items	11	**(122,756)**	(418,684)
		2,496,250	2,627,055
Investing activities			
Change in cash in trust		**—**	23,704
Increase of the amount receivable from the YMCAs of Québec Foundation		**(9,104)**	(241,133)
Investments acquisition		**(3,175,279)**	(3,772,904)
Investments disposal		**2,964,648**	3,695,627
Acquisition d'immobilisations		**(2,225,802)**	(1,851,157)
		(2,445,537)	(2,145,863)
Financing activities			
Receipt of grants receivable		**1,083,871**	1,031,472
Repayment of long-term debt		**(1,570,762)**	(1,507,036)
Repayment of obligation under capital leases		**(28,712)**	(32,251)
Increase in deferred contributions related to capital assets		**176,847**	321,129
Decrease of other long-term liabilities		**(21,001)**	—
		(359,757)	(186,686)
(Decrease) increase in cash		**(309,044)**	294,506
Cash, beginning of year		**2,225,124**	1,930,618
Cash, end of year		**1,916,080**	2,225,124

The accompanying notes are an integral part of these 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, institutional services and rent, as well as the fees for services 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. The investments fair value is established at bid price. 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 cost or 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 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 has 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 an increase (decrease) to the fair value of interest rate swap agreements.

Supplies

Supplies are valued at the lower of cost, which is determined on the basis of the latest invoice price 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
Leasehold improvements	10 years
Vehicles, furniture and equipment	3 to 5 years

Deferred revenue related to program activities

Deferred revenue related to program activities relates to community development programs that are government funded.

Internally restricted net assets

This restricted balance represents resources set aside by the Board of Directors for purposes of going forward with certain aspects of the YMCA’s strategic plan.

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 periods. The most significant areas requiring the use of management estimates relate to the useful lives of capital assets, accrued liabilities, allowance for doubtful accounts and amortization of deferred contributions related to capital assets. Actual results could differ from these estimates.

3. Investments

	2013	2012
	$	$
Term deposit, rate of 1.55% (1.55% in 2012), maturing in January 2014 (January 2014 in 2012)	**100,684**	100,000
Canadian bonds, rates varying from 2.25% to 4.95% (2.80% to 5.45% in 2012), maturing between January 2014 and December 2016 (February 2013 and April 2015 in 2012)	**2,609,012**	3,102,442
Mutual funds	**2,878,136**	2,242,341
	5,587,832	5,444,783
Current portion	**2,677,283**	2,215,012
	2,910,549	3,229,771

4. Accounts receivable

	2013	2012
	$	$
Clients	**285,416**	298,475
Allowance for doubtful accounts	**(144,900)**	(128,400)
	140,516	170,075
Accrued interest receivable on subsidized debts	**277,110**	304,682
Other	**2,249,728**	1,894,628
	2,667,354	2,369,385

5. Capital assets

	2013			2012
	Cost [1]	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	**2,601,730**	**—**	**2,601,730**	2,601,730
Buildings, leasehold improvements and major renovations	**76,639,525**	**41,253,189**	**35,386,336**	36,866,093
Vehicles, furniture and equipment	**13,917,982**	**12,181,234**	**1,736,748**	1,638,874
	93,159,237	**53,434,423**	**39,724,814**	41,106,697

(1) Includes assets under capital leases in an amount of $nil ($103,994 in 2012).

6. Accounts payable and accrued liabilities

As at December 31, 2013, accounts payable and accrued liabilities include government remittance in the amount of $166,521 ($92,948 in 2012).

7. Long-term debt

	2013	2012
	$	$
Bankers' acceptances related to the Cartierville YMCA Center	**6,753,950**	7,109,805
Note payable related to the Cartierville YMCA Center	**6,223,463**	6,850,659
Du Parc YMCA Center mortgage loan	**2,709,855**	3,092,266
Equipment loan	**350,600**	525,900
Note payable	**110,000**	140,000
	16,147,868	17,718,630
Current portion *	**3,941,051**	1,570,762
	12,206,817	16,147,868

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

	$
2014	3,941,051
2015	1,750,080
2016	1,048,112
2017	6,007,732
2018	791,756
2019 and thereafter	2,609,137

* This amount includes Du Parc YMCA Center mortgage loan, because the terms of this loan are currently being renegotiated.

7. Long-term debt (continued)

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 7 and 5 years, respectively, allowing it to borrow amounts in the form of discounted bankers' acceptances for a term varying from one month to one year. The discounted bankers' acceptances related to the Cartierville YMCA Center held as at December 31, 2013, have a term of one month, nominal values of $6,091,065 and $662,885, bear interest at an effective rate of 1.24% and mature on January 31, 2014. 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) Nominal amount of $7,000,000, reduced periodically based on a predetermined schedule until its expected maturity on May 31, 2017, bearing interest at a fixed rate of 3.64% in exchange for receiving a variable interest rate based on the one-month CDOR rate. Of this amount, $1,957,430 is subsidized by an external organization.

(b) Nominal amount of $964,000, reduced periodically based on a predetermined schedule until its expected maturity on June 30, 2015, bearing interest at a fixed rate of 3.36% in exchange for receiving a variable interest rate based on the one-month CDOR rate.

To maintain this financing, the YMCA must satisfy the same financial ratios as those of the note payable related to the Cartierville YMCA Center. As at December 31, 2013, the YMCA was in compliance with these ratios with the exception of a debt service coverage ratio, which is tolerated by the financial institution, given that the mortgage loan is currently under renegotiation.

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, du Loisir et du Sport du Québec for this project will repay the loan.

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, 2013, with the exception of the ratio mentioned above.

Du Parc YMCA Center mortgage loan

Du Parc YMCA Center 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 5.64% and matures in October 2014. The repayment terms are renewable every five years.

Equipment loan

The loan is related to the financing of the Cartierville YMCA Center's equipments. It bears interest at 4.18%, matures in December 2015 and is repayable in monthly principal instalments of $14,608.

7. Long-term debt (continued)

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.

Grant receivable relating to subsidized debt

The balance of the grants receivable related to the granted debts, in the amount of $10,641,715 ($11,725,586 in 2012), is as follows:

	2013	2012
	$	$
Short-term grants receivable	**1,069,515**	1,083,871
Long-term grants receivable	**9,572,200**	10,641,715

The donor organizations have also agreed to pay the interest on the portion of the loans covered by the grants. The interest reimbursement is up to $553,353 ($605,752 in 2012).

8. 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 Montreal 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:

	2013	2013
	$	$
Balance, beginning of year	**25,305,940**	26,524,472
Contributions received	**176,847**	321,129
Amortization for the year	**(1,499,085)**	(1,539,661)
Balance, end of year	**23,983,702**	25,305,940

9. Letter of guarantee

Under an agreement between the City of Montreal and the Downtown YMCA Center, the YMCA issued a $100,000 letter of guarantee in favour of the City. This letter of guarantee expires on June 30, 2014, and is secured by a term deposit of the same amount.

10. 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 $1,216,386 ($875,871 in 2012), deferred contributions related to capital assets of $139,900 ($321,133 in 2012) and other deferred revenue of $nil ($139,330 in 2012) for a total of $1,356,286 ($1,336,334 in 2012) from the Foundation. The YMCA has also paid the Foundation a total of $339,260 ($319,208 in 2012) 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, 2013, and the results of its operations for the year ended December 31, 2013:

	2013	2013
	$	$
Financial position		
Total assets	**5,711,263**	5 ,041,859
Total liabilities	**489,454**	487,850
	5,221,809	4,554,009

An amount of $489,454 ($480,350 in 2012), is payable to the YMCA.

	2013	2012
	$	$
Results of operations		
Fund balances, beginning of year	**4,554,009**	4,366,063
Total revenue, excluding endowment contributions	**1,928,306**	1,661,668
Endowment contributions	**291,568**	44,982
Total expenses and donations	**(1,552,074)**	(1,518,704)
Net increase in fund balances	**667,800**	187,946
Fund balances, end of year	**5,221,809**	4,554,009

11. Additional information to the statement of cash flows

Changes in non-cash operating working capital items

	2013	2013
	$	$
Accounts receivable	**(297,969)**	14,276
Supplies and prepaid expenses	**(71,509)**	75,842
Accounts payable and accrued liabilities	**163,199**	(930,269)
Deferred revenue related to program activities	**65,555**	170,273
Deferred revenue – other	**17,968**	251,194
	(122,756)	(418,684)

12. Commitments

The YMCA is committed to leasing premises under leases and has signed service contracts with suppliers expiring through 2018. Future payments will total $11,378,000 and include the following amounts over the forthcoming years.

	$
2014	4,084,115
2015	3,968,691
2016	2,944,109
2017	287,085
2018	94,000

13. Access for all

As part of its charitable mission, the YMCA provides an access 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 2013 was $1,139,878 ($1,065,610 in 2012).

14. 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.

The YMCA is also exposed to credit risk as it owns bond investments. As such, there is a risk that an issuer would not meet its obligations towards the YMCA, which would have an impact on the YMCA's assets.

14. Financial instruments (continued)

Interest rate risk

The bond investments bear interest at fixed rates. Therefore, a change in market interest rates will affect the fair value of the bonds.

A portion of the long-term 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 fix the interest rates of the bankers' acceptances at 2.67% and 2.95% and that mature on June 30, 2015 and May 31, 2017.

15. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.