

YMCA of Simcoe/Muskoka
Financial Statements
For the year ended June 30, 2012

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GAVILLER & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of **YMCA of Simcoe/Muskoka**:

Report on the Financial Statements

We have audited the accompanying financial statements of **YMCA of Simcoe/Muskoka**, which comprise the statement of financial position as at June 30, 2012, 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 generally accepted accounting principles 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Association'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 Association'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 **YMCA of Simcoe/Muskoka** as at June 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gaviller & Company LLP

Licensed Public Accountant
Collingwood, Ontario
September 19, 2012

YMCA of Simcoe/Muskoka
Statement of Financial Position
As at June 30, 2012

	2012	Restated 2011 Note 14
Assets		
Current		
Cash	\$ 26,542	\$ 480,456
Accounts receivable	1,494,062	2,076,121
Inventory (Note 11)	168,115	158,134
Prepaid expenses	238,177	69,915
	1,926,896	2,784,625
Capital Assets (Notes 3,14)	36,275,189	35,573,942
Other Assets		
Portfolio investments (Note 2)	2,044,625	1,995,697
Goodwill	458,810	458,810
Customer list	120,000	180,000
	2,623,435	2,634,508
Total Assets	\$ 40,825,520	\$ 40,993,075
Liabilities and Net Assets		
Current Liabilities		
Bank overdraft	\$ 257,053	\$ -
Bank loan (Note 4)	950,000	-
Operating demand loan (Note 4)	500,000	-
Accounts payable and accrued liabilities	3,381,360	3,033,268
Deferred revenue	1,568,677	2,423,424
Current portion of long-term debt (Note 5)	472,686	459,010
	7,129,776	5,915,702
Long-term Debt (Note 5)	3,094,639	3,547,952
Deferred Contributions (Note 6)	22,458,897	23,704,663
Commitments (Note 7)		
Total Liabilities	32,683,312	33,168,317
Net Assets	\$ 8,142,208	\$ 7,824,760
Net Assets consist of:		
Unrestricted	6,320,458	5,980,711
Internally restricted (Note 15)	1,821,749	1,844,048
	\$ 8,142,208	\$ 7,824,760

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

On behalf of the Board:

Director

Director

YMCA of Simcoe/Muskoka
Statement of Operations
As at June 30, 2012

	2012	Restated 2011 Note 14
Sources of Funding		
Health Wellness Community Recreation	\$ 10,785,737	\$ 9,556,294
Child Development & Family Support	11,386,620	10,682,418
Camping, Conf, & Youth Engagement	5,918,456	5,598,446
Philanthropy & Assn Advancement	517,683	902,504
Capital Campaign Receipts	513,454	685,057
Government Programs (Note 9)	4,300,158	4,634,685
Total Sources of Funding	\$ 33,422,109	\$ 32,059,404
Direct Costs		
Human Resources Direct Costs	\$ 19,309,419	\$ 17,744,172
Supplies	3,729,962	3,727,189
Total Direct Costs	\$ 23,039,381	\$ 21,471,361
Gross Contribution	\$ 10,382,728	\$ 10,588,043
Facilities Expense		
Rent, Insurance & Property Taxes	\$ 1,053,636	\$ 1,056,435
Repairs & Maintenance	1,687,133	1,628,840
Utilities	1,793,768	1,597,141
Total Facilities Expense	\$ 4,534,538	\$ 4,282,416
Net Contribution from Operations	\$ 5,848,190	\$ 6,305,627
General & Admin Expense		
Bad Debts Expense	\$ 222,265	\$ 192,441
Bank Charges & Interest	440,965	316,344
Interest on Long Term Debt	154,147	163,278
Professional Services	70,465	94,722
Promotion & Financial Development	599,023	482,766
Salaries	1,880,209	1,904,702
Supplies	496,177	522,548
Telecommunications	296,056	262,969
YMCA Canada & MRC Fees	337,293	311,080
Total General & Admin Expense	\$ 4,496,601	\$ 4,250,851
Net Contribution Before Other Items	\$ 1,351,590	\$ 2,054,777
Other		
Investment income	30,972	51,249
Amortization of Deferred Capital Contribution	\$ 1,254,536	\$ 1,275,703
Amortization of Capital Assets	(2,237,055)	(2,178,691)
Amortization of Customer List	(60,000)	(60,000)
(Gain)/Loss on Disposal - Capital & Portfolio	(22,595)	185,708
Total Amortization & Deferred	\$ (1,034,142)	\$ (726,031)
Net Contribution to Development	\$ 317,448	\$ 1,328,727

YMCA of Simcoe/Muskoka
Statement of Changes in Net Assets
For the year ended June 30, 2012

	Unrestricted	Internally Restricted	2012	Restated 2011 Note 14
Balance, beginning of year, as originally stated	\$	\$ 1,844,048	\$ 8,134,616	\$ 6,805,889
Capital Asset restatement (Note 14)	(309,856)		(309,856)	(309,856)
Balance, beginning of year, as re-stated	5,980,711	1,844,048	7,824,760	6,496,033
Net Contribution to Development	339,747	(22,299)	317,448	1,328,727
Balance, end of year	\$ 6,320,458	\$ 1,821,749	\$ 8,142,208	\$ 7,824,760

YMCA of Simcoe/Muskoka
Statement of Cash Flows
For the year ended June 30, 2012

	2012		Restated 2011 Note 14
Cash flows from operating activities			
Excess of revenue over expenses	\$ 317,448	\$	1,328,727
Charges (credits) to operations not involving cash			
(Gain) Loss on disposal	22,595		(185,708)
Amortization of capital assets	2,237,055		2,167,377
Amortization of deferred capital contributions	(1,254,536)		(1,275,703)
Amortization of customer list	60,000		60,000
Dividend re-invested	(16,881)		(29,855)
Net change in non-cash operating working capital balances related to operations (Note 8)	<u>(102,839)</u>		<u>603,363</u>
	<u>1,262,842</u>		<u>2,668,201</u>
Cash flows from investing activities			
Additions to capital assets	(2,918,828)		(3,955,550)
Proceeds from sale of capital assets	11,203		2,243
Proceeds on sale of portfolio investments	(85,317)		128,983
Purchase of portfolio investments	0		(96,564)
Increase in deferred capital contributions	8,771		1,927,944
	<u>(2,984,171)</u>		<u>(1,992,944)</u>
Cash flows from financing activities			
Increase (decrease) in long-term debt	(439,637)		(404,402)
Bank loan proceeds	1,450,000		-
	<u>1,010,363</u>		<u>(404,402)</u>
Net change in cash during the year	<u>(710,966)</u>		270,855
Cash (bank overdraft), beginning of year	<u>480,455</u>		<u>209,601</u>
Cash, end of year	\$ <u>(230,511)</u>	\$	480,455
Represented by			
Cash	\$ 26,542	\$	480,455
Bank overdraft	<u>(257,053)</u>		<u>-</u>
	\$ <u>(230,511)</u>	\$	480,455
Cash paid for interest on Long-Term Debt	\$ 154,147	\$	163,278

Nature of Association

The Association is a charitable, community-based organization open to all. It offers diverse services provided by a partnership of volunteers and staff and provides fellowship and opportunities for personal growth in spirit, mind and body including the provision of programs and services that foster health, education and the relief of poverty.

The Association is incorporated without share capital under the Corporations Act (Ontario) and is a charitable organization within the meaning of the Income Tax Act (Canada).

Summary of Significant Accounting Policies

Change in Accounting Policy Presentation of unrestricted net assets
The Association has adopted the new accounting standards by the CICA which affect the presentation of unrestricted net assets. Entities now have the option to group invested in capital assets with unrestricted net assets or to present them separately. The Association has chosen to group invested in capital assets with unrestricted net assets. This change was applied retroactively and resulted in the unrestricted net assets balance increasing \$9,591,339 in 2011.

The Association is no longer using Fund Accounting for presentation of results.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. These estimates include, among others, useful lives of capital assets, allowance for doubtful accounts and accruals. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition

The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets excluding land are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Externally restricted contributions for land are recorded as a direct increase in net assets invested in capital assets. Externally restricted contributions that have not been expended are recorded as part of deferred capital contributions on the statement of financial position.

YMCA of Simcoe/Muskoka
Summary of Significant Accounting Policies
As at June 30, 2012

**Cash and Cash
Equivalents**

Cash and cash equivalents consist of cash on hand bank balances and bank overdraft.

Financial Instruments

The Association classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Association's accounting policy for each category is as follows:

Held-for trading

This category is comprised of certain investments in equity and debt instruments, stand-alone derivatives, other than those designated as hedging items, and embedded derivatives requiring separation. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Cash and portfolio investments have been classified as held-for-trading.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Accounts receivable have been classified as loans and receivables.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payable and other short-term monetary liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Bank overdraft, accounts payable and accrued liabilities, current portion of long-term debt, and long-term debt have been classified as other financial liabilities.

All transactions related to financial instruments are recorded on a settlement date basis.

Contributed Services

The Association is dependant on the voluntary services of many individuals. Since these services are not normally purchased by the Association and because of the difficulty in estimating their fair market value, these services are not recorded in these financial statements.

Inventory

Inventory is valued at the lower of cost and replacement cost. Cost is generally determined on a specific item basis.

YMCA of Simcoe/Muskoka
Summary of Significant Accounting Policies
As at June 30, 2012

Capital Assets	<p>Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When an asset no longer contributes to the Association's ability to provide services, its carrying amount is written off. Amortization is provided on assets placed into use on the straight-line basis over their estimated useful lives as follows:</p> <p>Building and site improvements - 25 years Program equipment - 3 years Furnishings and equipment - 5 years Computer and software - 3 years Leasehold Improvements - 25 years</p>
Portfolio Investments	<p>Portfolio investments classified as held-for-trading are recorded at fair value.</p>
Goodwill	<p>Goodwill, being the excess of the purchase price of Geneva Park over the assigned values of the net assets acquired, is valued at the lower of cost and fair value of the reporting unit. The Association's goodwill is not amortized and is tested for impairment annually. An impairment loss is recognized when the carrying amount of the goodwill of a reporting unit exceeds the fair value of the goodwill.</p>
Customer List	<p>The customer list is the repeat business acquired for Geneva Park. It is recorded at cost. Amortization is provided on a straight-line basis over its estimated useful life of 10 years. No amortization was taken in the year of acquisition.</p>
Contributed Materials	<p>The Association has not recognized contributed materials in these financial statements as these materials are not normally purchased and because of the difficulty in estimating their fair market value.</p>
Impairment of Long Lived Assets	<p>Assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. The Association monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Association's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.</p>

1. Financial Instruments

a) Fair Values

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Association has immediate access.

The Association's financial instruments are comprised of cash, accounts receivable, bank overdraft, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

b) Risks arising from financial instruments

i) Credit Risk

The Association is exposed to credit risk since the Association's cash deposits in one financial institution are in excess of the amount insured by agencies of the federal government in the amounts of \$100,000 at June 30, 2012 (2011 - \$100,000).

ii) Interest Rate

The Associate has a term loan which bears interest at a variable rate and as a result, it is subject to interest rate risk through fluctuations in the bank's prime interest rate.

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

2. Portfolio Investments

	2012	2011
	Fair Value	Fair Value
Bonds	\$ 603,976	\$ 683,937
Common shares	872,177	799,140
Cash & Mutual Funds	568,469	512,620
	\$ 2,044,625	\$ 1,995,697

Bonds held at June 30, 2012 bear fixed rates of interest ranging from 3.15% to 4.5% (2011 – 3.15% to 6.375%) and have maturity dates ranging from Sept 1, 2012 to June 2, 2020 (2011 - August 23, 2011 to June 2, 2020).

The mutual funds held at June 30, 2012 are comprised of 477,277 (2011 – 37,005) units in three different funds (2011 - seven different funds).

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

3. Capital Assets

Restated 2011 Note 14

2012

	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land	\$ 2,707,600	\$ -	\$ 2,707,600	\$ 2,747,242	\$ -	\$ 2,747,242
Building and site improvements	24,974,751	7,189,387	17,785,364	29,930,543	12,736,390	17,194,153
Leasehold Improvements	16,255,201	2,288,212	13,966,989	16,046,854	1,528,224	14,518,630
Program equipment	2,192,996	590,976	1,602,020	3,985,006	3,134,066	850,940
Furnishings and equipment	228,071	189,468	38,603	842,996	729,546	113,450
Computer and software	350,682	176,070	174,612	773,057	623,529	149,528
	\$ 46,709,301	\$ 10,434,113	\$ 36,275,189	\$ 54,325,698	\$ 18,751,755	\$ 35,573,942

During the year, the Association purchased additional capital assets in the amount of \$2,918,828 (2011 - \$3,955,550) for cash.

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

4. Bank Loans

Bank Loan \$950,000

The Association has an Operating Line of Credit/Letters of Credit facility due on demand to the TD Canada Trust. The loan bears interest at the bank's prime rate plus 0.5% for loans, calculated and payable monthly. The total available is \$1,500,000. The letters of credit bear interest at 1% per annum paid annually. Unused credit facilities at June 30, 2012 amounted to \$896,578 (2011 - \$1,456,578). There are outstanding Letters of Credit to the Town of Orillia for \$43,422 and the Ministry of the Environment re: Geneva Park for \$110,000.

Operating Demand Loan \$500,000

The Association has an Operating Demand Loan facility to finance various construction projects. The loan bears interest at the bank's prime rate plus 0.5% for loans, calculated and payable monthly. The total available is \$3,000,000. Unused credit facilities at June 30, 2012 amounted to \$2,500,000.

The Association has a Letter of Credit issued in favour of the Town of Collingwood for the parking lot site improvement in the amount of \$240,000.

The banking agreement that covers these loans is secured by a general security agreement, a borrowing resolution, an assignment of fire insurance, a chattel mortgage, and a continuing collateral mortgage for \$6,000,000 on real property.

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

5. Long-term Debt

	2012	2011
YMCA Canada mortgage loan, 4.26%, blended principal and interest payments of \$24,516 payable at the first of each month. The loan is secured by a collateral mortgage and is due January 2018	\$ 1,461,003	\$ 1,669,691
Optimist Club mortgage loan, non-interest bearing, \$91,184 to be forgiven each anniversary of March 30th for each of the first ten years, due March 2017.	384,101	448,382
TD Canada Trust Committed Reducing Term Facility, prime plus .5%, equal monthly principal payments of \$13,889 plus interest due October 2022.	<u>1,722,222</u>	<u>1,888,889</u>
	\$ 3,567,326	\$ 4,006,962
Less: current portion	<u>472,686</u>	<u>459,010</u>
	<u>\$ 3,094,639</u>	<u>\$ 3,547,952</u>

Principal payments due in the next five years are as follows:

2013	\$	472,686
2014		487,016
2015		502,033
2016		517,769
2017 and thereafter		<u>1,587,822</u>
Total	\$	<u><u>3,567,326</u></u>

The banking agreement with the TD Canada Trust contains a covenant with respect to the debt service ratio. The covenant is not to be tested until the Operating Demand Facility has been converted to a reducing term facility. This conversion had not taken place as at June 30, 2012.

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

6. Deferred Contributions

	2012	2011
Deferred capital contributions related to capital assets	\$ 22,207,504	\$ 23,477,376
Deferred contributions in the future fund	251,393	227,286
Total deferred contributions	\$ 22,458,897	\$ 23,704,663

Deferred capital contributions related to capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. These contributions are amortized and recorded as revenue in the Statement of Operations on the same basis as the amortization of the related asset.

	2012	2011
Balance, beginning of year	\$ 23,477,376	\$ 22,825,135
Additional contributions received	8,774	1,927,944
Amounts amortized to revenue	(1,278,643)	(1,275,703)
Balance, end of year	\$ 22,207,504	\$ 23,477,376

Deferred contributions for future fund

This balance represents the unexpended amounts of donations that have been received where the donor has specified that the amounts be used for designated purposes. Of this amount, \$71,902 is to be used to support program and capital expenditures for Camp Kitchikewana and \$179,492 is to be used to support the programs and capital for Geneva Park and the determination of the timing and the amount of these payments are at the discretion of the Board.

	2012	2011
Balance, beginning of year	\$ 227,286	\$ 420,695
Gains (losses) on portfolio investments	(6,865)	(7,339)
Additional contributions received	-	15,124
Excess of revenue over expenses	30,972	7,844
Transfer to capital fund	-	(209,038)
Balance, end of year	\$ 251,393	\$ 227,286

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

7. Commitments

The Association has obligations under long-term leases for certain premises and office equipment for the next five years. Future minimum lease payments as at June 30, 2012 are as follows:

Year	Amount
2013 \$	332,484
2014	15,000
2015	15,000
2016	15,000
2017	15,000
Thereafter	<u>71,349</u>
	<u><u>\$ 463,833</u></u>

The Association has entered into an agreement with the Corporation of the Town of Wasaga Beach regarding the operation and management of a YMCA facility. The YMCA has agreed to operate the facility up to October 2026 with an optional renewal to 2046. As part of the agreement, the Association has committed to contribute furnishings and equipment valued at approximately \$1,000,000. To June 30, 2012, \$615,003 (2011 - \$ 615,003) has been contributed.

The Association has entered into an agreement with the Town of Innisfil regarding the operation of a portion of the Multi-Use Recreation Facility for a term of fifteen years (2009 to 2024). As part of the agreement, the Association has committed to contribute cash, furnishings and equipment valued at \$1,500,000. To June 30, 2012, the entire amount of \$1,500,000 (2011 - \$ 1,500,000) has been contributed.

The Association has entered into an agreement with the Town of Gravenhurst regarding the operation of a portion of the Multi-Use Recreation Facility for a term of twenty years (2011 to 2031) with an option to renew for another twenty years. As part of the agreement, the Association has committed to contribute furnishings and equipment valued as required to operate the facility. To June 30, 2012, the amount of \$596,495 has been contributed.

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

8. Change in Non-cash Operating Working Capital

	2012	2011
Change in:		
Accounts receivable	\$ 582,059	\$ 92,433
Inventory	(9,981)	(12,841)
Prepaid Expenses	(168,262)	192,405
Accounts payable and accruals	348,092	(425,656)
Deferred revenue	(854,747)	757,022
	\$ (102,839)	\$ 603,363

Decreases in assets and increases in liabilities result in a source of funds. Increases in assets and decreases in liabilities result in a use of funds and are indicated by brackets.

9. Government Contract Revenue

	2012	2011
Government contracts consist of:		
Newcomer Services	\$ 636,535	\$ 645,129
Employment Services	2,380,692	2,447,531
Youth Services	1,282,932	1,542,025
	4,300,158	4,634,685
Childcare (included in Child Development & Family Support Revenue)		
County of Simcoe	1,310,738	1,266,184
District of Muskoka	137,749	99,164
District of Parry Sound	160,609	79,521
Program and Other (included in Philanthropy & Association Advancement Revenue)	17,000	58,511
	\$ 5,926,254	\$ 6,138,066

YMCA of Simcoe/Muskoka
Notes to the Financial Statements
As at June 30, 2012

10. Pension Plan

Certain employees of the Association belong to the Canadian YMCA Retirement Fund, a multi-employer defined contribution plan. The following amounts were contributed during the year.

	2012	2011
By employees	\$ 332,597	\$ 380,789
By employer	397,743	414,442
	\$ 730,340	\$ 795,232

11. Inventory

The Association has inventory at Geneva Park which consists of:

	2012	2011
Food	\$ 49,149	\$ 49,977
Fuel	11,615	6,511
Maintenance Supplies	89,951	74,376
Office Supplies	17,400	27,270
Total	\$ 168,115	\$ 158,134

12. Capital Disclosures

For its own purposes, the Association defines capital as the sum of deferred contributions related to operations, deferred contributions related to capital assets, net assets invested in capital assets and unrestricted net assets. The Association is subject to externally imposed requirements on capital, and those related to capital assets.

The Association's objectives when managing capital are to generally match the structure of its capital to the underlying nature and term of the assets being financed, and to hold sufficient unrestricted net assets to enable it to withstand negative unexpected financial events, in order to maintain stability of the financial structure.

The Association seeks to maintain sufficient liquidity and short-term borrowing capacity to enable it to meet its obligations as they become due. The Association maintains a backup short-term credit facility with a Canadian chartered bank to ensure sufficient liquidity.

The Association is subject to externally imposed minimum capital requirements relating to bank credit facilities and debt – see Notes 4 and 5.

13. Future Accounting Pronouncements

The Accounting Standards Board (AcSB) responsible for the accounting standards for private sector not-for-profit organizations has decided to replace the existing set of accounting standards known as GAAP. The AcSB has concluded that Not-for-Profit organizations will be given a choice of adopting International Financial Reporting Standards (IFRS) or Canadian Accounting Standards for Not-for-Profit Organizations (a new set of standards for not-for-profit organizations which include the currently applied Canadian GAAP 4400 series with the new Accounting Standards for Private Enterprises). The AcSB requires that not-for-profit organizations select one of the two available sets of accounting standards and apply that set for the fiscal year ending June 30, 2013. The Association has chosen to not move to IFRS.

14. Restatement - Capital Assets and Change in Estimate

Management has determined that the prior year's financial statements were misstated. The net book value of capital assets and unrestricted net assets were overstated by \$309,856. This was resulting from residual values of capital assets which had been disposed of, or were no longer in service, not being expensed in the year the asset was taken out of use by the Association. This also resulted in reducing the Asset value and associated Accumulated Depreciation being reduced by \$8.7 million. The comparative figures, including opening balances, have been adjusted accordingly.

15. Internally Restricted Funds

Internally Restricted funds have been designated by the Board for various purposes.