

Financial Statements of

YMCA OF OKANAGAN ASSOCIATION

Year ended December 31, 2017

Contents

	Page
Independent auditors' report	1-2
Statement of financial position	3
Statement of operations	4
Statement of changes in net assets	5
Statement of cash flows	6
Notes to the financial statements	7-17



Independent auditors' report

Grant Thornton LLP
200 - 1633 Ellis Street
Kelowna BC
V1Y 2A8

T +1 250 712 6800
+1 800 661 4244 (Toll Free)
F +1 250 712 6850
www.GrantThornton.ca

To the members of YMCA of Okanagan Association:

We have audited the accompanying financial statements of YMCA of Okanagan Association ("the Association"), which comprise the statement of financial position as at December 31, 2017, the statement of operations, statement of changes in net assets and statement of 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.

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 auditor considers 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 Okanagan Association as at December 31, 2017, 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 Societies Act of British Columbia, we report that, in our opinion, these accounting principles have been applied on a basis consistent with that of the preceding year.

Other matter

The financial statements for the Association for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on these statements on April 25, 2017.

Kelowna, Canada
April 12, 2018

Grant Thornton LLP

Chartered Professional Accountants

YMCA OF OKANAGAN ASSOCIATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash & cash equivalents	\$ 1,803,752	\$ 1,260,617
Accounts receivable	671,979	696,143
Inventories	36,254	41,715
Prepaid expenses & deposits	171,270	101,851
	<u>2,683,255</u>	<u>2,100,326</u>
Restricted cash & investments (note 2)	4,638,717	6,375,410
Tangible capital assets (note 3)	6,545,375	4,847,295
	<u>\$ 13,867,347</u>	<u>\$ 13,323,031</u>
Liabilities & Net Assets		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 1,185,055	\$ 910,065
Deferred revenue & deposits	539,006	451,766
Scheduled cash repayments for demand loans (note 4a)	111,522	109,098
Current portion of long-term debt (note 4b)	21,250	21,250
	<u>1,856,833</u>	<u>1,492,179</u>
Demand loans (note 4a)	767,914	878,037
	<u>2,624,747</u>	<u>2,370,216</u>
Deferred contributions (note 5)	3,352,008	3,425,900
Long-term debt (note 4b)	148,750	170,000
	<u>6,125,505</u>	<u>5,966,116</u>
Net assets:		
Unrestricted	789,196	547,247
Invested in tangible capital assets (note 6)	3,185,115	1,305,666
Liquidity Reserve (note 7)	1,000,000	1,000,000
Center of Community Development Reserve (note 7)	1,619,581	3,414,523
Strategic Reserve (note 7)	1,108,486	1,050,623
Kelowna Family YMCA Reserves (note 7)	39,464	38,856
	<u>7,741,842</u>	<u>7,356,915</u>
	<u>\$ 13,867,347</u>	<u>\$ 13,323,031</u>

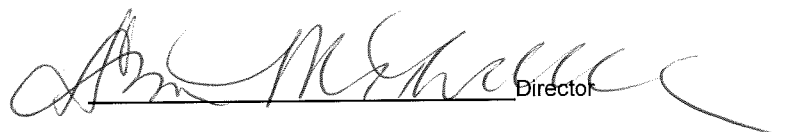
Commitments and contingencies (notes 8 & 9)

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

YMCA OF OKANAGAN ASSOCIATION

Statement of Operations

Year Ended December 31, 2017, with comparative figures for 2016

	2017	2016
Revenue:		
Admissions & memberships	\$ 6,630,725	\$ 5,956,771
Programs & rentals	1,740,207	1,600,160
Operational funding (note 10)	5,659,172	5,714,144
Fund development (note 10)	401,412	344,974
Fund development - gaming (note 10)	169,421	142,172
Investments	294,211	305,398
Other revenue	202,956	197,133
	15,098,104	14,260,752
Amortization of deferred capital contributions (note 5)	203,093	191,661
Gain on disposal of tangible capital assets	-	3,360
	15,301,197	14,455,773
Expenses:		
Bank charges & interest	178,862	157,038
Contract services	1,141,034	1,109,141
Information technology	519,000	414,270
Insurance	58,272	57,423
Labour	8,942,199	8,858,891
Marketing	237,713	161,006
Occupancy	500,565	372,880
Other expenses	49,935	52,850
Participant costs	1,245,391	1,104,217
Repairs & maintenance	147,616	151,106
Staff & volunteer expense	252,305	245,590
Supplies	484,774	424,491
YMCA national	213,371	229,706
	13,971,037	13,338,609
Depreciation of tangible capital assets	665,862	509,595
	14,636,899	13,848,204
Net contribution before allocation	664,298	607,569
H2O City of Kelowna allocation (note 8)	279,371	44,031
Net contribution	\$ 384,927	\$ 563,538

See accompanying notes to financial statements.

YMCA OF OKANAGAN ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2017, with comparative figures for 2016

	Invested in Tangible Capital Assets	Liquidity Reserve	Center of Community Development Reserve	Strategic Reserve	Kelowna Family YMCA Reserves	Unrestricted	2017	2016
Net assets, beginning of year	\$ 1,305,666	\$ 1,000,000	\$ 3,414,523	\$ 1,050,623	\$ 38,856	\$ 547,247	\$ 7,356,915	\$ 6,793,377
Excess of revenue over expenses:								
Operations	-	-	122,084	57,863	-	204,980	384,927	563,538
Amortization of deferred capital contributions	203,093	-	-	-	-	(203,093)	-	-
Depreciation of tangible capital assets	(665,862)	-	-	-	-	665,862	-	-
	(462,769)	-	122,084	57,863	-	667,749	384,927	563,538
Net investment in tangible capital assets	2,342,218	-	(1,917,026)	-	-	(425,192)	-	-
Transfers in net assets	-	-	-	-	608	(608)	-	-
Net assets, end of year	\$ 3,185,115	\$ 1,000,000	\$ 1,619,581	\$ 1,108,486	\$ 39,464	\$ 789,196	\$ 7,741,842	\$ 7,356,915

See accompanying notes to financial statements.

YMCA OF OKANAGAN ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2017, with comparative figures for 2016

	2017	2016
Cash flows from operating activities:		
Net contribution	\$ 384,927	\$ 563,538
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(203,093)	(186,861)
Depreciation of tangible capital assets	665,862	509,595
Gain on disposal of tangible capital assets	-	(12,960)
Unrealized investment gain	(119,052)	(99,726)
	343,717	210,048
Change in non-cash working capital balances:		
Accounts receivable	24,164	73,560
Inventories	5,461	5,312
Prepaid expenses & deposits	(69,419)	9,150
Accounts payable & accrued liabilities	274,990	49,977
Deferred revenue & deposits	87,460	14,389
Deferred contributions for future period expenses	(220)	51,534
	322,436	203,922
	1,051,080	977,508
Cash flows from investing activities:		
Change in restricted cash & investments	1,855,745	(802,812)
Net purchase of tangible capital assets	(2,363,942)	(456,850)
	(508,197)	(1,259,662)
Cash flows from financing activities:		
Receipt of deferred contributions for capital acquisition	129,201	664,036
Repayment of long term debt and demand loans	(128,949)	(127,912)
	252	536,124
Change in unrestricted cash and cash equivalents	543,135	253,970
Unrestricted cash and cash equivalents, beginning of year	1,260,617	1,006,647
Unrestricted cash and cash equivalents, end of year	\$ 1,803,752	\$ 1,260,617

See accompanying notes to financial statements.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

The YMCA of Okanagan Association (the "Association") is a charitable organization, incorporated under the Societies Act (British Columbia), whose purpose is to support the development of strong individuals, families and communities in body, mind and spirit, and to connect with and support the YMCA's global family. The Association is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Summary of Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

(a) Revenue recognition

Revenue from admissions, memberships, programs, and rentals is recognized as the services are provided. Deferred revenue represents cash received related to programs, rentals, and memberships for which services will be provided in a future period.

The Association follows the deferral method of accounting for contributions. Operational funding includes contributions from the Government of Canada, the Government of British Columbia, the City of Kelowna, and the Interior Health Authority. Revenue is recognized as the services are provided in accordance with the terms of the applicable agreement, and includes revenue from employment programs to reimburse the Association for certain expenses incurred on behalf of participants. The corresponding expense amount is reflected as participant costs.

Fund development revenue includes contributions from foundations, corporations, not-for-profit organizations, and individuals. Fund development-gaming revenue includes contributions associated with the British Columbia Community Gaming Grant. For each of these revenue streams, revenue is recognized when the cash is received and any external restrictions have been met.

Investments revenue includes interest, dividends, and realized gains or losses from disposal of investments. Unrealized gains or losses, arising from changes in quoted market value of investments are presented separately in the statement of operations.

(b) Cash and cash equivalents

Cash and cash equivalents include cash, guaranteed investment certificates and term deposits readily convertible into cash.

(c) Inventories

Inventories, which consist of merchandise and consumable supplies, are recorded at the lower of cost, determined on a first-in/first-out basis, and replacement cost.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

1. Summary of Significant Accounting Policies (continued)

(d) Tangible capital assets

Purchased tangible capital assets are recorded at cost, less accumulated amortization. Contributed tangible capital assets are recorded at fair value at the date of contribution. When management determines that certain tangible capital assets no longer contribute to the Association's ability to provide services, their carrying amounts are written down to their residual value. Amortization is provided on a straight-line basis at the following annual rates:

	Rate
Leasehold improvements	3.34 - 20%
Office equipment	20%
Program equipment	33%
Computer hardware & software	33%
Vehicles	20%

(e) Deferred contributions

Restricted contributions for expenses of one or more future periods are deferred and recognized as revenue in the same period or periods as the related expenses are recognized. Restricted contributions for the purchase of tangible capital assets that will be amortized are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired tangible capital assets. In the case of contributed tangible capital assets, the deferred contribution is equivalent to the fair value at the date of contribution. In respect of funds used for repairs or other minor improvements charged to expense, the contributions are recognized in revenue in the year the expense is incurred.

(f) Contributed services

The Association leases its Kelowna Family YMCA facility from the City of Kelowna for no consideration. The fair value of the lease has not been determined and, accordingly, no expense has been recognized in respect of this lease.

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining fair value, contributed services are not recognized in the financial statements.

(g) Financial instruments

Investments and cash equivalents are recorded at fair value, net of transaction costs, on a trade date basis. Changes in fair value, net of transaction costs, are recognized in the statement of operations in the periods in which they arise. Accounts receivable, accounts payable and accrued liabilities, demand loans and long-term debt are recorded at amortized cost, net of any provisions for impairment.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

(i) Employee future benefits

The Association's employees are eligible to enroll in a defined contribution retirement plan offered by YMCA Canada. The expense for the year ended December 31, 2017, related to this plan totalled \$186,512 (2016 - \$186,362).

2. Restricted Cash & Investments

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Externally restricted:				
Cash & cash equivalents	\$ 871,186	\$ 871,186	\$ 871,406	\$ 871,406
Internally restricted:				
Cash & cash equivalents	591,598	591,598	1,543,503	1,543,503
Fixed income	1,614,080	1,561,492	2,113,150	2,058,001
Equities	1,379,464	1,614,441	1,784,013	1,902,500
	<u>3,585,142</u>	<u>3,767,531</u>	<u>5,440,666</u>	<u>5,504,004</u>
	\$ 4,456,328	\$ 4,638,717	\$ 6,312,072	\$ 6,375,410

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

3. Tangible Capital Assets

December 31, 2017	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 7,149,080	\$ 2,188,846	\$ 4,960,234
Office equipment	485,648	226,711	258,937
Program equipment	2,189,035	1,475,046	713,989
Computer hardware & software	1,059,897	531,200	528,697
Vehicles	243,239	159,721	83,518
	\$ 11,126,899	\$ 4,581,524	\$ 6,545,375

December 31, 2016	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 6,038,738	\$ 1,858,684	\$ 4,180,054
Office equipment	319,139	185,807	133,332
Program equipment	1,423,241	1,252,054	171,187
Computer hardware & software	794,772	478,698	316,074
Vehicles	187,067	140,419	46,648
	\$ 8,762,957	\$ 3,915,662	\$ 4,847,295

Ownership of the Kelowna Family YMCA tangible capital assets will revert to the City of Kelowna on the termination of the existing contract to operate the Kelowna Family YMCA facility (note 8) with specific exceptions as outlined in the contract.

Included in computer hardware & software is \$289,135 for hardware and software currently in development at December 31, 2017. Included in leasehold improvements is \$53,280 for improvements currently under construction at December 31, 2017. No depreciation has been recorded on these assets as they are not yet available for use.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

4a. Demand Loans

	2017	2016
Interior Savings Credit Union Loans:		
Repayable in monthly installments of \$3,692 including interest at the lender's prime rate less 0.5%	\$ 536,247	\$ 567,550
Repayable in monthly installments of \$7,118 including interest at the lender's prime rate less 0.5%	343,189	419,585
	879,436	987,135
Scheduled principal repayments in the upcoming year	(111,522)	(109,098)
	\$ 767,914	\$ 878,037

The Interior Savings Credit Union demand loans are secured by a general security agreement, a fixed charge over fitness equipment, and a tripartite agreement between the Association, the City of Kelowna and Interior Savings, with a Solicitor's Letter of Opinion whereby the City of Kelowna will assume the loan obligations in the event of default. The Association also has an operating line of credit with an available limit of \$300,000, at the same rate of interest as the demand loans. No amount was drawn on the line of credit as at December 31, 2017.

Expected principal payments required in each of the next five years are as follows:

2018	\$ 105,500
2019	108,400
2020	111,600
2021	115,000
2022	56,400

4b. Long-Term Debt

	2017	2016
Bridge financing from the City of Kelowna non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	\$ 170,000	\$ 191,250
Less: Current portion	(21,250)	(21,250)
	\$ 148,750	\$ 170,000

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

5. Deferred Contributions

	2017	2016
Deferred contributions - future period expenses		
Balance, beginning of year	\$ 221,406	\$ 169,872
Contributions received	6,229,785	6,252,824
Amount recognized in revenue	(6,230,005)	(6,201,290)
Balance, end of year	\$ 221,186	\$ 221,406
Deferred contributions - capital acquisitions		
Balance, beginning of year	\$ 3,204,494	\$ 2,732,119
Contributions received	129,421	664,036
Amount recognized in revenue	(203,093)	(191,661)
Balance, end of year	\$ 3,130,822	\$ 3,204,494
	\$ 3,352,008	\$ 3,425,900

Deferred contributions – capital acquisitions includes \$650,000 of capital funding received in 2016 from the Province of British Columbia dedicated to expanding child care facilities in Penticton and Kelowna. This capital funding, which has not yet been spent, includes conditions which would require repayment of the unspent funding if not used for its specific purpose.

6. Net Assets Invested in Tangible Capital Assets

	2017	2016
Tangible capital assets	\$ 6,545,375	\$ 4,847,295
Less amounts financed by:		
Demand loans	(879,436)	(987,135)
Deferred capital contributions	(2,480,824)	(2,554,494)
	\$ 3,185,115	\$ 1,305,666

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

7. Restricted Net Assets

Restricted net assets represent reserves set aside by the Association's Board of Directors and consist of the following:

(a) Liquidity Reserve

Net assets restricted for the Liquidity Reserve are restricted for the purposes of ensuring that the Association maintains sufficient liquidity at all times to carry out its current operations.

(b) Center of Community Development Reserve

Net assets restricted for the Center of Community Development Reserve are restricted for the purchase of land, buildings and/or leasehold improvements, including all related construction, fees, and renovation costs, for new centers of community: YMCA program sites that offer multi-aged programming in the areas of health, fitness & aquatics, child care, employment & social services.

The total amount of \$1,917,026 was transferred from the Center of Community Development Reserve to pay for costs related to the Downtown YMCA construction project (2017- \$1,863,746), Queens Park Childcare project (2017 - \$49,057) and Dilworth Childcare project (2017 - \$4,223).

(c) Strategic Reserve

Net assets restricted for the Strategic Reserve are restricted for the purposes of funding the strategic priorities of the Association as identified by the Board of Directors.

(d) Kelowna Family Y Reserves

i) *KFY Deficit Reserve*: As required in the Association's contract with the City of Kelowna for the operation of the Kelowna Family YMCA, the Association is responsible to maintain a financial deficit reserve account to a minimum balance equal to 5% of the annual purchase of services payment by the City to be used to fund future operating deficits. Any surplus in the reserve will revert back to the City upon termination or completion of the agreement. Based on the 2017 purchase of service, the 2017 reserve balance is \$34,375.

ii) *KFY Repairs and Maintenance Reserve*: Net assets restricted for the repairs and maintenance reserve are restricted for the purposes of funding preventative and first-line repairs to the Kelowna Family YMCA facility in accordance with the Association's agreement with the City of Kelowna. Appropriations consist of the surplus of annual preventative and first-line repairs, as prescribed in the agreement, over actual preventative and first-line repairs expenditures. In 2017 actual expenditures exceeded the threshold of \$45,643, resulting in no appropriations and leaving the reserve unchanged at \$5,089.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

8. City of Kelowna Contracts

(a) Kelowna Family YMCA agreement

The Association entered into an agreement with the City of Kelowna (the "City") effective March 19, 2001, for the operation of the Kelowna Family YMCA facility (the "Facility") expiring April 1, 2040. The agreement provides for an annual purchase of services by the City for the operation of the Facility.

Until January 1, 2031, 50% of the annual net financial operating surplus, as defined in the agreement with the City, must be reinvested in the Facility and facility operations, as determined by the Association, as follows:

- i) Minimum of 65% shall be solely spent on the Facility and equipment improvements, development of capital reserves or reduction of debt;
- ii) Up to 25% shall be reinvested into the operations, the Facility or the equipment improvements; and
- iii) Up to 10% shall be used for additional funding of the KFY deficit reserve.

The remaining 50% is available for use by the Association at its sole discretion. After January 1, 2031, 50% of the surplus will be retained by the Association and the remaining 50% will be retained by the City.

The agreement can be terminated by either party without cause on or after April 1, 2025 provided 18 months' notice is given and certain other conditions are met. On termination the City and the Association are subject to certain conditions as outlined in the agreement.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

8. City of Kelowna Contracts (continued)

(b) H2O Fitness and Adventure Centre

The Association entered into an agreement with the City of Kelowna (the "City") effective January 1, 2012, for the operation of the H2O Adventure & Fitness Centre (the "H2O Centre") for a term of 60 months expiring December 31, 2016. The agreement was renewed in December, 2016 for an additional term of 60 months expiring December 31, 2021 with no further options to renew. The City owns the facility, improvements to the H2O Centre, and equipment within the H2O Centre.

In consideration of the performance by the Association of its obligations under the contract, the Association is entitled to an inflation-adjusted recovery of administration expenses (2017 - \$363,583) plus an annual calculated amount for YMCA Canada Affiliation fees in accordance with the YMCA Canada formula (2017 - \$55,035).

Annual financial operating surplus or deficit is defined as year-end operating revenue less operating expenses (as specified in the agreement) less Association entitlement (as previously defined). Any annual surplus for the operations of the H2O Centre will be shared as follows:

- i) Net surplus funds less than \$100,000:
 - 33% shall be retained by the City and used as determined by the City.
 - 33% shall be retained by the Association to fund its programs and charitable activities within Kelowna.
 - 34% shall be retained by the City and placed in an Equipment Replacement and Improvement Fund.
- ii) Net surplus funds greater than \$100,000 – the first \$100,000 will be shared as outlined above and the additional surplus over \$100,000 will be shared as follows:
 - 25% shall be retained by the City and used as determined by the City.
 - 50% shall be retained by the Association to fund its programs and charitable activities within Kelowna.
 - 25% shall be retained by the City and placed in the Equipment Replacement and Improvement Fund.

For any annual deficit for the operations of the H2O Centre, the Association is responsible to fund the first \$20,000 from its own resources that are separate and distinct from any funds associated with the H2O operating budget shortfall. The City will be responsible to provide a grant for any deficit in excess of \$20,000 in an operating year.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

9. Commitments and Contingencies

(a) Commitments

The Association has other commitments consisting of operating lease contracts for various program locations, office equipment, and a participation agreement for an upcoming technology project with expiry dates between 2018 and 2028.

Minimum payments expected in each of the next five years and thereafter are approximately as follows:

2018	\$	535,887
2019		238,059
2020		183,483
2021		186,133
2022		188,823
Thereafter until end of 2028		819,828
	\$	2,152,213

(b) Litigation and claims

Management reviews its exposure to any potential litigation for which it would not be covered by insurance and whether a successful claim against the Association would materially affect its financial statements. The Association is currently not aware of any claims brought against it that if not defended successfully would result in a material loss in these financial statements.

10. Contributions Revenue

	2017	2016
Operational funding		
Government of Canada	\$ 408,855	\$ 360,207
Government of British Columbia	4,519,520	4,607,038
City of Kelowna	687,503	675,347
Interior Health Authority	43,294	71,552
	5,659,172	5,714,144
Fund development		
British Columbia Community Gaming Grant	169,421	142,172
Government of Canada	23,651	25,497
Contributions from foundations, corporations, not-for-profit organizations, and individuals	377,761	319,477
	570,833	487,146
	\$ 6,230,005	\$ 6,201,290

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2017

11. Financial Risk and Concentrations of Risk

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Unless otherwise disclosed, the Association is not exposed to material credit risk.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, market interest rates, or market prices (other than those arising from interest rate risk and currency risk). The Association is exposed to market risk with respect to its restricted cash and cash equivalents and investments (note 2). In keeping with the Association Investment Policy, investments have been made in such a manner as to achieve an optimal rate of return within well-defined risk tolerances. The Association is exposed to interest rate and cash flow risk in relation to its demand loans and long-term debt as disclosed in notes 4a and 4b, respectively.

(c) Liquidity risk

Liquidity risk is the risk that the Association will be unable to meet its financial obligations. The Association maintains sufficient working capital to meet its day-to-day obligations and holds an additional \$1,000,000 in a Liquidity Reserve.

12. Related Party Payments

From time to time, the Association carries out business transactions with suppliers of goods and professional services whose owners, partners, officers, or senior managers are also directors of the Association. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which, in management's opinion, is comparable to amounts that would have been paid to non-related parties. During the year, these transactions are as follows:

Legal Services	\$67 (2016 - \$3,195)
Interest & Bank Charges	\$7,364 (2016 - \$23,725)

13. Remuneration paid to directors, employees and contractors

In accordance with the *Societies Act (B.C.)* Section 36.1 and *Societies Regulation* 9.2(b):

The Directors of the Association receive no remuneration for the performance of their responsibilities as Directors. As referenced in note 12, transactions with a supplier of legal services, one of whose partners was a Chair of the Association, amounted to \$67.

For the fiscal year ending 2017, the Association paid total remuneration of \$648,643 to six employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes all wages, bonuses, and taxable benefits.