

Financial Statements of

**YMCA – YWCA OF THE  
CENTRAL OKANAGAN**

Year ended December 31, 2011



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## **INDEPENDENT AUDITORS' REPORT**

To the Members of the YMCA-YWCA of the Central Okanagan

We have audited the accompanying financial statements of YMCA-YWCA of the Central Okanagan (the "Association") which comprise the statement of financial position as at December 31, 2011, the statements of operations, changes in net assets, and cash flows for the year then ended, and notes comprising 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 an audit to obtain reasonable assurance about whether the consolidated 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 our 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, we 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-YWCA of the Central Okanagan as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants  
Kelowna, Canada  
April 17, 2012

# YMCA-YWCA OF THE CENTRAL OKANAGAN

## Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Unrestricted cash	\$ 1,728,580	\$ 2,383,775
Accounts receivable	514,333	539,917
Inventories	19,886	19,832
Prepaid expenses and deposits	48,889	64,005
	<u>2,311,688</u>	<u>3,007,529</u>
Restricted cash and cash equivalents:		
Restricted for Community Programs (note 6(a))	306,578	252,750
Restricted for Kelowna Family Y Centre (note 6(a))	37,064	36,653
Restricted for Kelowna Family Y Capital Campaign (note 6(a))	1,712,975	2,251,081
Employee benefit fund	—	22,007
	<u>2,056,617</u>	<u>2,562,491</u>
Property and equipment (note 2)	4,752,344	2,367,079
	<u>\$ 9,120,649</u>	<u>\$ 7,937,099</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,383,017	\$ 1,954,723
Deferred revenue	306,901	415,336
Current portion of long-term debt	96,250	96,250
	<u>2,786,168</u>	<u>2,466,309</u>
Long-term debt (note 3)	970,000	1,066,250
Deferred capital contributions (note 4)	3,059,938	2,397,248
Net assets:		
Invested in property and equipment (note 5)	923,656	309,373
Restricted for Community Programs (note 6)	306,578	252,750
Restricted for Kelowna Family Y Centre (note 6)	37,064	36,653
Restricted for Kelowna Family Y Capital Campaign (note 6)	—	207,691
Unrestricted	1,037,245	1,200,825
	<u>2,304,543</u>	<u>2,007,292</u>
Commitments and contingencies (notes 7 and 8)		
	<u>\$ 9,120,649</u>	<u>\$ 7,937,099</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# YMCA-YWCA OF THE CENTRAL OKANAGAN

## Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	Community Programs	Kelowna Family Y Centre	H2O Centre	2011	2010
<b>Revenue:</b>					
Program fees, memberships and admissions	\$ 792,581	\$ 1,904,965	\$ 3,552,229	\$ 6,249,775	\$ 6,226,781
City of Kelowna contracts (note 7)	-	639,496	258,734	898,230	631,289
Human Resources and Social Development Canada	930,919	-	-	930,919	838,349
Federal and provincial grants	167,431	6,814	-	174,245	184,714
Fundraising:					
Gaming	91,700	18,000	-	109,700	58,246
Other	149,770	9,120	-	158,890	137,570
	241,470	27,120	-	268,590	195,816
Other	14,055	108,053	70,784	192,852	191,728
Interest and investment income	6,923	-	-	6,923	8,837
Amortization of deferred capital contributions	-	184,266	-	184,266	4,980
	2,153,379	2,870,674	3,881,747	8,905,800	8,282,494
<b>Expenditures:</b>					
Program	1,774,054	1,202,545	2,357,742	5,334,341	4,900,386
City of Kelowna contracts (note 7)	-	-	-	-	94,744
Customer service and marketing	21,765	353,944	522,072	897,781	884,814
Administration	91,093	367,287	435,660	894,040	833,948
Facility	47,671	586,333	566,273	1,200,277	963,428
Amortization	8,384	219,415	-	227,799	129,341
Interest on long term debt	-	24,264	-	24,264	22,594
Loss on disposal of property and equipment	-	30,047	-	30,047	-
Kelowna Family Y Capital Campaign	-	-	-	-	96,474
	1,942,967	2,783,835	3,881,747	8,608,549	7,925,729
Excess of revenue over expenditures	\$ 210,412	\$ 86,839	\$ -	\$ 297,251	\$ 356,765

# YMCA-YWCA OF THE CENTRAL OKANAGAN

## Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

	Invested in Property and Equipment (note 5)	Restricted for Community Programs (note 6 (b))	Restricted for Kelowna Family Y Centre (note 6 (b))	Restricted for Kelowna Family Capital Campaign (note 6 (b))	Unrestricted	2011	2010
Net assets, beginning of year	\$ 309,373	\$ 252,750	\$ 36,653	\$ 207,691	\$ 1,200,825	\$ 2,007,292	\$1,650,527
Excess (deficiency) of revenue over expenditures:							
Operations	–	1,225	–	–	296,026	297,251	356,765
Amortization of deferred capital contributions	80,191	–	–	–	(80,191)	–	–
Amortization of property and equipment	(227,799)	–	–	–	227,799	–	–
Loss on disposal of property and equipment	(30,047)	–	–	–	30,047	–	–
	(177,655)	1,225	–	–	473,681	297,251	356,765
Net investment in property and equipment	791,938	–	–	(207,691)	(584,247)	–	–
Transfers in net assets	–	52,603	411	–	(53,014)	–	–
Net assets, end of year	\$ 923,656	\$ 306,578	\$ 37,064	\$ –	\$ 1,037,245	\$ 2,304,543	\$2,007,292

See accompanying notes to financial statements.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

## Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash flows from operating activities:		
Cash received from program fees, memberships and admissions	\$ 6,249,775	\$ 6,226,781
Cash received from Human Resources and Social Development Canada	767,556	838,349
Cash received from City of Kelowna	753,871	660,284
Cash received from other revenues	507,728	611,426
Cash paid to suppliers and employees	(8,513,177)	(8,191,963)
Interest income received on unrestricted cash	5,697	8,431
	(228,550)	153,308
Cash flows from investing activities:		
Purchase of property and equipment	(2,013,017)	(21,501)
Purchase of construction in progress	—	(127,360)
Change in restricted cash and cash equivalents	505,874	(1,113,945)
Interest and investment income received on restricted cash and cash equivalents	1,225	406
Deferred capital contributions received	1,199,787	1,171,397
	(306,131)	50,129
Cash flows from financing activities:		
Repayment of long-term debt	(96,250)	(96,250)
Interest paid on long-term debt	(24,264)	(22,594)
	(120,514)	(118,844)
Increase (decrease) in unrestricted cash	(655,195)	84,593
Unrestricted cash, beginning of year	2,383,775	2,299,182
Unrestricted cash, end of year	\$ 1,728,580	\$ 2,383,775

See accompanying notes to financial statements.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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The YMCA-YWCA of the Central Okanagan (the "Association") is a charitable organization, incorporated under the Society Act (British Columbia), serving the Central Okanagan, 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 Y'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:

### (a) Revenue recognition:

The Association follows the deferral method of accounting for contributions.

Program fees and admissions revenue are recognized as the services are provided. Membership revenues are recognized when memberships are initiated or renewed and the revenues are collected or reasonably collectible. Deferred revenue represents cash received related to programs and memberships for which services will be provided in a future period.

Revenue from contracts from the City of Kelowna, Human Resources and Social Development Canada and Federal and Provincial grants are recognized as the services are provided in accordance with the terms of the applicable agreement. For certain agreements, the Association is required to facilitate reimbursements of eligible expenses on behalf of the government agency. The Association does not record these amounts as revenue and expenses.

Fundraising and other revenue are recognized when the cash is received and the services or goods are provided.

Restricted interest income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted interest income is recognized as revenue when earned.

### (b) Cash and cash equivalents

Cash and cash equivalents include cash and pooled investment funds readily convertible into cash.

### (c) Inventories:

Inventories of merchandise and consumable supplies are recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

### (d) Property and equipment:

Property and equipment are recorded at cost. Contributed equipment is recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments, which extend the life of property and equipment, are capitalized.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (d) Property and equipment (continued):

When the Association's management determines that certain property and equipment no longer contribute to the Association's ability to provide services, their carrying amount is written down. Property and equipment are amortized on a straight-line basis using the following annual rates:

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	Rate
Building improvements	3.33%
Fitness equipment	20% - 33%
Computer equipment	20% - 33%
Communications equipment	10% - 20%
Office and program equipment	10%
Automotive equipment	20%

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### (e) Deferred capital contributions

Deferred capital contributions consist of funds received for the purposes of funding capital improvements and expansion to the Kelowna Family Y Centre facility, including the Kelowna Family Y Capital Campaign. Deferred capital contributions are recognized as revenue in the statement of operations on a straight line basis at a rate corresponding with the amortization rate for the related property and equipment asset. 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) Restricted net assets:

Restricted for Community Programs

#### i) Capital Fund

Net assets restricted for the Capital Fund are restricted for the purposes of funding future purchases of property and equipment for Community Programs. The Association's policies provide for an annual appropriation from unrestricted net assets equal to 25% of the Community Programs financial surplus and provide that up to 50% of the opening market value may be spent on property and equipment purchases as long as a minimum balance of \$10,000 is maintained.



# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (f) Restricted net assets (continued):

Restricted for Kelowna Family Y Centre

#### ii) 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 Y Centre 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, prescribed in the agreement over actual preventative and first-line repairs expenditures.

#### iii) Deficit Reserve

As required in the Association's contract with the City of Kelowna for the operation of the Kelowna Family Y Centre, 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.

#### v) Restricted for Kelowna Family Y Capital Campaign

Net assets restricted for the Kelowna Family Y Capital Campaign Reserve are restricted for the purpose of the planned expansion to the Kelowna Family Y Centre. Costs incurred in the construction phase of the expansion are included as construction in progress in property and equipment. Once construction is completed and the expansion is available for use, the restricted net assets will be reclassified to net assets invested in property and equipment.

### (g) Contributed services

The Association leases its Kelowna Family Y Centre facility from the City of Kelowna for no consideration. The fair value of the lease has not been determined and, accordingly, no expenditure 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.

### (h) Allocation of expenditures

The Association allocates certain marketing and overhead expenditures between community programs and the Kelowna Family Y Centre. These costs are allocated on a consistent basis each year based on the overall level of activity in the programs.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (i) Financial instruments

The Association's financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings. The Association has classified its financial instruments as follows:

- (i) Cash and cash equivalents are designated as held-for-trading are being measured at fair value with changes in fair value being recognized in the statement of operations.
- (ii) Accounts receivable are classified as loans and receivables and are measured at amortized cost.
- (iii) Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, and are measured at amortized cost.

Disclosure of the financial significance of financial instruments to the Association's financial position, performance and cash flows, and to assist in assessing the amounts, timing and certainty of cash flows associated with those instruments is located in note 9.

### (j) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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.

### (k) 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, 2011 related to this plan totalled \$87,484 (2010 - \$75,336).

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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## 1. Significant accounting policies (continued):

### (l) New accounting pronouncements:

In December 2010 the Canadian Institute of Chartered Accountants issued Part III of the CICA Handbook – *Accounting Standards for Not-For-Profit Organizations*. The standards provide non-profit organizations the choice of applying accounting standards for private enterprises supplemented by the Part III standards unique to non-profit organizations, or international financial reporting standards. The new standards are applicable to annual financial statements relating to fiscal years beginning on or after January 1, 2012. The Association is in the process of reviewing the impact of these standards on its reporting framework and financial statements.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

## 2. Property and equipment:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
<b>Kelowna Family Y Centre:</b>				
Building improvements	\$ 5,028,416	\$ 577,706	\$ 4,450,710	\$ 1,036,020
Fitness equipment	666,867	463,288	203,579	24,342
Computer equipment	250,083	222,325	27,758	14,092
Office equipment	247,345	223,582	23,763	36,360
Communications equipment	80,434	53,400	27,034	2,974
Leasehold improvements	-	-	-	11,451
	6,273,145	1,540,301	4,732,844	1,125,239
<b>Community Programs:</b>				
Automotive equipment	90,553	71,053	19,500	27,883
<b>Kelowna Family Y Capital Campaign:</b>				
Fitness equipment	-	-	-	14,800
Construction in progress	-	-	-	1,199,157
	-	-	-	1,213,957
	<b>\$ 6,363,698</b>	<b>\$ 1,611,354</b>	<b>\$ 4,752,344</b>	<b>\$ 2,367,079</b>

Ownership of the Kelowna Family Y Centre property and certain equipment will revert to the City of Kelowna on the termination of the existing contract to operate the Kelowna Family Y Centre facility (note 7(a)).

Included in automotive equipment for Community programs is \$39,000 paid in 2009 and \$36,000 paid in 2006 for the use of four coaches provided by Variety – The Children’s Charity of British Columbia (“Variety”). The asset is being amortized over the estimated useful life of the coach consistent with rates used for like equipment. If Variety requests the return of the coach before the end of the estimated useful life, the Association will expense the remaining prepaid portion against the Association’s share of any proceeds from the disposal in that period.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

### 3. Long term debt:

	2011	2010
Bank term loan, repayable in monthly instalments of \$6,250 plus interest at the lender's prime rate, due March 18, 2022	\$ 768,750	\$ 843,750
Bridge financing from the City of Kelowna, non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	297,500	318,750
	1,066,250	1,162,500
Current portion due within one year	96,250	96,250
	\$ 970,000	\$ 1,066,250

The term loan is secured by a general security agreement, a fixed charge over fitness equipment and a tri-partite agreement between the Association, the City of Kelowna and the bank, with a Solicitor's Letter of Opinion whereby the City of Kelowna will assume the loan obligation in the event of default.

The Association has an operating line of credit with an available limit of \$250,000. No amount was drawn on the operating line of credit as at December 31, 2011.

Principal payments required in each of the next five years, are as follows:

2012	\$ 96,250
2013	96,250
2014	96,250
2015	96,250
2016	96,250

### 4. Deferred capital contributions:

	2011	2010
Balance, beginning of year	\$ 2,397,248	\$ 878,000
Contributions received or receivable	846,956	1,524,228
Amount amortized to revenue	(184,266)	(4,980)
Balance, end of year	\$ 3,059,938	\$ 2,397,248

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

## 5. Net assets invested in property and equipment:

a) Net assets invested in property and equipment is calculated as follows:

	Community Programs	Kelowna Family Y Centre	2011	2010
Property and equipment	\$ 19,500	\$ 4,732,844	\$ 4,752,344	\$ 1,153,123
Less amount financed by long-term debt	–	(768,750)	(768,750)	(843,750)
Less amount financed by deferred contributions	–	(3,059,938)	(3,059,938)	–
	\$ 19,500	\$ 904,156	\$ 923,656	\$ 309,373

b) Change in net assets invested in property and equipment is calculated as follows:

	Community Programs	Kelowna Family Y Centre	2011	2010
Balance, December 31, 2010	\$ 27,884	\$ 281,489	\$ 309,373	\$ 349,198
Deficiency of revenue over expenditures:				
Amortization of deferred capital contributions	–	80,191	80,191	4,980
Amortization of property and equipment	(8,384)	(219,415)	(227,799)	(129,341)
Loss on disposal of property and equipment	–	(30,047)	(30,047)	–
	(8,384)	(169,271)	(177,655)	(124,361)
Net investment in property and equipment:				
Property and equipment purchases and transfers	–	3,842,267	3,842,267	9,536
Repayment of long-term debt	–	75,000	75,000	75,000
Transferred from Kelowna Family Y Capital Campaign fund	–	(3,125,329)	(3,125,329)	–
	–	791,938	791,938	84,536
Balance, December 31, 2011	\$ 19,500	\$ 904,156	\$ 923,656	\$ 309,373

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

## 6. Restricted net assets:

### a) Restricted net asset balances

	2011	2010
Cash and cash equivalents and net assets restricted for Community Programs consist of the following:		
Capital Fund	\$ 306,578	\$ 252,750
Cash and cash equivalents and net assets restricted for Kelowna Family Y Centre consist of the following:		
Repairs and Maintenance Reserve	5,089	5,089
Deficit Reserve	31,975	31,564
	37,064	36,653
Net assets restricted for Kelowna Family Y Capital Campaign consist of the following:		
Cash and cash equivalents	1,712,975	2,251,081
Accounts receivable	100,000	352,831
Property and equipment	–	1,213,957
Accounts payable and accrued liabilities	(1,812,975)	(1,212,930)
Deferred capital contributions	–	(2,397,248)
	–	207,691
	\$ 343,642	\$ 497,094

### b) Change in restricted net assets is calculated as follows:

#### i) Community programs capital fund:

	2011	2010
Net assets, beginning of year	\$ 252,750	\$ 219,467
Excess of revenue over expenses	1,225	406
Transfers in net assets:		
Community programs surplus allocation	52,603	32,877
Net assets, end of year	\$ 306,578	\$ 252,750

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

## 6. Restricted net assets (continued):

b) Change in restricted net assets (continued):

ii) Kelowna Family Y Centre:

	Repairs and Maintenance Reserve	Deficit Reserve	2011	2010
Net assets, beginning of year	\$ 5,089	\$ 31,564	\$ 36,653	\$ 39,641
Transfers in net assets:				
Deficit reserve	–	411	411	–
Repairs and maintenance reserve	–	–	–	(2,988)
	–	411	411	(2,988)
Net assets, end of year	\$ 5,089	\$ 31,975	\$ 37,064	\$ 36,653

iii) Kelowna Family Y Capital Campaign:

	2011	2010
Net assets, beginning of year	\$ 207,691	\$ 304,165
Expenditures in excess of revenue expenditures	–	(96,474)
Amortization of property and equipment	–	(4,980)
Amortization of deferred capital contributions	–	4,980
	–	(96,474)
Transfer in net assets	(207,691)	–
Net assets, end of year	\$ –	\$ 207,691



# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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## 7. City of Kelowna contracts:

### a) Kelowna Family Y agreement

The Association entered into an agreement with the City of Kelowna (the "City") effective March 19, 2001, and a subsequent Amending Agreement effective April 1, 2010, for the operation of the Kelowna Family YMCA-YWCA facility (the "Facility") for a term of 30 years less 1 day from the Amending Agreement execution date. The Amending Agreement includes a capital program valued at \$5,950,542 and involved investment by both the City (\$1,806,542) and the Association (\$4,144,000). The agreement provides for an annual purchase of services by the City for the operation of the Facility.

The Association has secured financing, however, should the agreement terminate for any reason, the City agreed to assume any remaining capital debt incurred by the Association to finance the capital improvements or equipment purchases to a maximum of \$2,500,000. In the event of completion of the contract, the City will also assume ownership of all capital improvements to the Facility and equipment for a transfer price of \$1.

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 met. In the event the agreement is terminated by the City, the City will assume ownership of all assets of the facility for a transfer price of \$1 plus the Association's capital investment plus interest paid to finance the capital improvements or equipment purchases and will assume any unpaid capital debt. The City will also compensate the Association with a lump sum payment equal to the greater of the average annual operating net surplus for the facility (determined based upon the five years prior to termination) multiplied by the number of years remaining in the term or \$100,000, as well as compensating the Association for costs associated with the termination.

Other commitments included in the contract include:

- i) The Association is responsible for preventative and first-line repairs and maintenance with a threshold of \$34,275 for the 2011 fiscal year. If the amount spent by the Association is less than this threshold, the unused portion in any year can be carried forward to a reserve account (Repairs and Maintenance Reserve). The City has access to this reserve to contribute to repairs and maintenance deemed to be the City's responsibility and any surpluses in the reserve will revert back to the City upon completion or termination of the agreement.
- ii) 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 and will be used to fund future operating deficits. Any surpluses in the reserve will revert back to the City upon termination or completion of the agreement.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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## 7. City of Kelowna contracts (continued):

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

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

### b) H2O Fitness and Adventure Centre

The Association entered into an agreement with the City effective October 1, 2008 for the operation of the H2O Fitness and Adventure Centre (the "H2O Centre") for a term of 39 months expiring on December 31, 2011. The City owns the facility, improvements to the H2O Centre and equipment within the H2O Centre. Any surplus or deficit from the operation of the H2O Centre is the responsibility of the City. Accounts receivable as at December 31, 2011 includes \$144,359 of funding to be received from the City of Kelowna related to this contract. As at December 31, 2010, accounts payable and accrued liabilities included \$209,119 of unexpended funding from the City of Kelowna related to the contract.

# YMCA-YWCA OF THE CENTRAL OKANAGAN

Notes to Financial Statements

Year ended December 31, 2011

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## 8. Commitments and contingencies:

### a) Operating lease commitments

The Association has other commitments consisting of operating lease contracts for childcare locations and various office equipment.

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

2012	\$	46,957
2013		16,147
2014		11,720
2015		10,294
2016		5,955

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### 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.

## 9. Financial instruments:

### a) Fair values

The fair value of the Association's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short term to maturity of these instruments. The fair value of the bank term loan approximates its carrying value as it has a market-based rate of interest attached to its repayment. The fair value of the bridge financing from the City of Kelowna is not determinable given the absence of a market for such financial instruments.

### b) Interest, credit and other risks:

The Association is exposed to interest rate risks with respect to its cash equivalents investments and long term debt arrangements. Unless otherwise disclosed, the Association is not exposed to significant foreign exchange or credit risk. The maximum credit risk exposure of the Association's financial assets is the carrying value of the asset.

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Year ended December 31, 2011

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## 10. Endowment:

The Association has an endowment, administered and recorded by the Central Okanagan Foundation in its financial statements which is permanently restricted and consequently not included as assets of the Association in these financial statements. Annual appropriations to the endowment consist of 10% of funds raised through the Association's annual giving campaign. Investment income received from the endowment is applied to fund National and International YMCA and YWCA projects. These funds at book and market values comprise:

	2011	2010
Book and market value, beginning of year	\$ 55,627	\$ 43,318
Annual appropriation	10,141	11,175
Interest	1,227	1,134
Book and market value, end of year	\$ 66,995	\$ 55,627

## 11. Capital disclosures:

The Association defines capital to be net assets and deferred capital contributions. The Association's objective when managing capital is to fund its operations and property and equipment investments. The Association manages property and equipment investment in connection with its future operating requirement and operating agreements with the City of Kelowna.