

Financial Statements of

YMCA OF OKANAGAN ASSOCIATION

Year ended December 31, 2019

Independent Auditor's Report

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To the members of
YMCA of Okanagan Association

Opinion

We have audited the financial statements of YMCA of Okanagan Association (“the Association”), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of YMCA of Okanagan Association as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Kelowna, Canada
April 16, 2020

Grant Thornton LLP

Chartered Professional Accountants

YMCA OF OKANAGAN ASSOCIATION

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash & cash equivalents	\$ 2,321,286	\$ 2,453,137
Accounts receivable	318,010	422,435
Inventories	12,179	31,811
Prepaid expenses & deposits	23,234	103,142
	<u>2,674,708</u>	<u>3,010,525</u>
Restricted cash & investments (note 2)	5,177,230	4,194,557
Tangible capital assets (note 3)	6,264,315	7,084,792
	<u>\$ 14,116,253</u>	<u>\$ 14,289,874</u>
Liabilities & Net Assets		
Current liabilities:		
Accounts payable & accrued liabilities	\$ 1,217,662	\$ 1,470,272
Deferred revenue & deposits	664,548	615,115
Scheduled cash repayments for demand loans (note 4a)	109,372	105,549
Current portion of long-term debt (note 4b)	21,250	21,250
	<u>2,012,832</u>	<u>2,212,186</u>
Demand loans (note 4a)	560,010	669,382
	<u>2,572,842</u>	<u>2,881,568</u>
Deferred contributions (note 5)	3,165,852	3,131,871
Long-term debt (note 4b)	106,250	127,500
	<u>5,844,944</u>	<u>6,140,939</u>
Net assets:		
Unrestricted	700,000	776,387
Invested in tangible capital assets (note 6)	3,056,770	4,036,556
Liquidity Reserve (note 7)	1,000,000	1,000,000
Center of Community Development Reserve (note 7)	1,800,000	556,955
Strategic Reserve (note 7)	1,674,353	1,738,851
Kelowna Family YMCA Reserves (note 7)	40,186	40,186
	<u>8,271,309</u>	<u>8,148,935</u>
	<u>\$ 14,116,253</u>	<u>\$ 14,289,874</u>

Commitments and contingencies (notes 8 & 9)

Subsequent event (note 14)

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

YMCA OF OKANAGAN ASSOCIATION

Statement of Operations

Year Ended December 31, 2019, with comparative figures for 2018

	2019	2018
Revenue:		
Admissions & memberships	\$ 7,968,383	\$ 7,543,401
Programs & rentals	2,171,426	2,027,094
Operational funding (note 10)	4,174,414	6,231,797
Fund development (note 10)	584,818	462,716
Fund development - gaming (note 10)	180,278	180,141
Investment income, net of unrealized gains and losses	554,969	(719)
Other revenue	207,457	242,547
	15,841,745	16,686,977
Amortization of deferred capital contributions (note 5)	262,664	231,111
Gain on disposal of tangible capital assets	2,819	219
	16,107,228	16,918,307
Expenses:		
Bank charges & interest	223,016	207,177
Contract services	484,025	1,105,229
Information technology	1,006,743	616,358
Insurance	76,937	63,889
Labour	10,339,617	9,813,450
Marketing	246,210	239,330
Occupancy	599,585	608,197
Other expenses	65,095	85,238
Participant costs	657,063	1,503,404
Repairs & maintenance	154,300	150,299
Staff & volunteer expense	282,766	289,459
Supplies	550,931	486,234
YMCA national	221,119	210,844
	14,907,407	15,379,108
Depreciation of tangible capital assets	987,300	877,679
	15,894,707	16,256,787
Net contribution before allocation	212,521	661,520
H2O City of Kelowna allocation (note 8)	90,147	254,427
Net contribution	\$ 122,374	\$ 407,093

See accompanying notes to financial statements.

YMCA OF OKANAGAN ASSOCIATION

Statement of Changes in Net Assets

Year Ended December 31, 2019, with comparative figures for 2018

	Invested in Tangible Capital Assets	Liquidity Reserve	Center of Community Development Reserve	Strategic Reserve	Kelowna Family YMCA Reserves	Unrestricted	2019	2018
	(note 6)							
Net assets, beginning of year	\$ 4,036,556	\$ 1,000,000	\$ 556,955	\$ 1,738,851	\$ 40,186	\$ 776,387	\$ 8,148,935	\$ 7,741,842
Excess of revenue over expenses:								
Operations	(421,854)	-	-	-	-	544,228	122,374	407,093
Amortization of deferred capital contributions	262,664	-	-	-	-	(262,664)	-	-
Depreciation of tangible capital assets	(987,300)	-	-	-	-	987,300	-	-
	(1,146,490)	-	-	-	-	1,268,864	122,374	407,093
Net investment in tangible capital assets	166,704	-	(452,082)	-	-	285,378	-	-
Transfers in net assets		-	1,695,127	(64,498)	-	(1,630,629)	-	-
Net assets, end of year	\$ 3,056,770	\$ 1,000,000	\$ 1,800,000	\$ 1,674,353	\$ 40,186	\$ 700,000	\$ 8,271,309	\$ 8,148,935

YMCA OF OKANAGAN ASSOCIATION

Statement of Cash Flows

Year Ended December 31, 2019, with comparative figures for 2018

	2019	2018
Cash flows from operating activities:		
Net contribution	\$ 122,374	\$ 407,093
Add (deduct) items not involving cash:		
Amortization of deferred capital contributions	(262,664)	(231,111)
Depreciation of tangible capital assets	987,300	877,679
Information technology expense (note 3)	424,673	-
Gain on disposal of tangible capital assets	(2,819)	(219)
Unrealized investment (gain) loss	(332,042)	192,391
	814,448	838,740
Change in non-cash working capital balances:		
Accounts receivable	104,425	249,544
Inventories	19,632	4,443
Prepaid expenses & deposits	79,908	68,128
Accounts payable & accrued liabilities	(252,610)	285,217
Deferred revenue & deposits	49,433	76,109
Deferred contributions for future period expenses	59,125	(12,402)
	59,913	671,039
	996,735	1,916,872
Cash flows from investing activities:		
Change in restricted cash & investments	(650,631)	251,769
Net purchase of tangible capital assets	(588,677)	(1,417,096)
	(1,239,308)	(1,165,327)
Cash flows from financing activities:		
Receipt of deferred contributions for capital acquisition	237,521	23,595
Repayment of long term debt and demand loans	(126,799)	(125,755)
	110,722	(102,160)
Change in unrestricted cash and cash equivalents	(131,851)	649,385
Unrestricted cash and cash equivalents, beginning of year	2,453,137	1,803,752
Unrestricted cash and cash equivalents, end of year	\$ 2,321,286	\$ 2,453,137

See accompanying notes to financial statements.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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 in investment income 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, 2019

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
Building	5%
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, 2019

(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, 2019, related to this plan totalled \$215,698 (2018 - \$222,479).

2. Restricted Cash & Investments

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Externally restricted:				
Cash & cash equivalents	\$ 662,691	\$ 662,691	\$ 829,494	\$ 829,494
Internally restricted:				
Cash & cash equivalents	-	-	252,131	252,131
Fixed income	1,908,235	1,900,176	1,735,318	1,674,240
Equities	2,279,138	2,614,363	1,387,616	1,438,692
	<u>4,187,373</u>	<u>4,514,539</u>	<u>3,375,065</u>	<u>3,365,063</u>
	\$ 4,850,064	\$ 5,177,230	\$ 4,204,559	\$ 4,194,557

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

3. Tangible Capital Assets

December 31, 2019	Cost	Accumulated Amortization	Net Book Value
Building	\$ 1,482,062	\$ 101,426	\$ 1,380,636
Leasehold improvements	7,146,725	2,987,098	4,159,627
Office equipment	507,797	356,918	150,879
Program equipment	2,437,288	2,093,461	343,827
Computer hardware & software	893,708	698,065	195,643
Vehicles	223,739	190,036	33,703
	\$ 12,691,319	\$ 6,427,004	\$ 6,264,315

December 31, 2018	Cost	Accumulated Amortization	Net Book Value
Building	\$ 1,040,457	\$ -	\$ 1,040,457
Leasehold improvements	7,131,294	2,598,667	4,532,627
Office equipment	504,747	291,395	213,352
Program equipment	2,354,174	1,768,168	586,006
Computer hardware & software	1,270,083	610,714	659,369
Vehicles	243,239	190,258	52,981
	\$ 12,543,994	\$ 5,459,202	\$ 7,084,792

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 \$55,279 for hardware and software currently in development at December 31, 2019. Included in building is \$116,280 relating to a new child care centre currently under construction at December 31, 2019. No depreciation has been recorded on these assets as they are not yet in use.

During the year ended December 31, 2019, previously capitalized software development costs totalling \$424,673, related to a project abandoned in the year, were expensed to information technology expense.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

4a. Demand Loans

	2019	2018
Interior Savings Credit Union Loans:		
Repayable in monthly installments of \$3,783 including interest at the lender's prime rate less 0.5%	\$ 479,687	\$ 507,822
Repayable in monthly installments of \$7,118 including interest at the lender's prime rate less 0.5%	189,695	267,109
	669,382	774,931
Scheduled principal repayments in the upcoming year	(109,372)	(105,549)
	\$ 560,010	\$ 669,382

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, 2019.

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

2020	109,400
2021	113,300
2022	58,100
2023	32,500
2024	16,700

4b. Long-Term Debt

	2019	2018
Bridge financing from the City of Kelowna non-interest bearing, payable in cumulative annual repayments of not less than \$21,250	\$ 127,500	\$ 148,750
Less: Current portion	(21,250)	(21,250)
	\$ 106,250	\$ 127,500

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

5. Deferred Contributions

	2019	2018
Deferred contributions - future period expenses		
Balance, beginning of year	\$ 208,565	\$ 221,186
Contributions received	4,998,634	6,862,033
Amount recognized in revenue	(4,939,510)	(6,874,654)
Balance, end of year	\$ 267,689	\$ 208,565
Deferred contributions - capital acquisitions		
Balance, beginning of year	\$ 2,923,306	\$ 3,130,822
Contributions received	237,521	23,595
Amount recognized in revenue	(262,664)	(231,111)
Balance, end of year	\$ 2,898,163	\$ 2,923,306
	\$ 3,165,852	\$ 3,131,871

Deferred contributions – capital acquisitions include \$325,000 of capital funding received in 2016 and \$35,000 of capital funding received during the year from the Province of British Columbia dedicated to expanding child care facilities in 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

	2019	2018
Tangible capital assets	\$ 6,264,315	\$ 7,084,792
Less amounts financed by:		
Demand loans	(669,382)	(774,931)
Deferred capital contributions	(2,538,163)	(2,273,305)
	\$ 3,056,770	\$ 4,036,556

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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.

(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 2019 purchase of service, the 2019 reserve balance is unchanged at \$35,097.
- 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 2019 actual expenditures exceeded the threshold of \$47,860 resulting in no appropriations and leaving the reserve unchanged at \$5,089.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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, 2019

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. 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 of \$381,241 (2018 - \$371,218) plus an annual calculated amount for YMCA Canada Affiliation fees in accordance with the YMCA Canada formula of \$62,286 (2018 - \$58,812).

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, 2019

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 2020 and 2027.

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

2020	\$	317,888
2021		271,774
2022		274,464
2023		241,510
2024		194,324
Thereafter until end of 2027		433,951
	\$	1,733,911

(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

	2019	2018
Operational funding		
Government of Canada	\$ 682,523	\$ 609,235
Government of British Columbia	2,650,385	4,870,914
City of Kelowna	727,193	701,940
Interior Health Authority	114,313	49,708
	4,174,414	6,231,797
Fund development		
British Columbia Community Gaming Grant	180,278	180,141
Government of Canada	8,146	23,474
Contributions from foundations, corporations, not-for-profit organizations, and individuals	576,672	439,242
	765,096	642,857
	\$ 4,939,510	\$ 6,874,654

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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. There are none of these transactions to report in the current year.

The Association is a member of YMCA BC, a not-for-profit Society comprised of the five YMCA Associations in BC. YMCA BC bids on contracts to provide services that align with the operations and strategic missions and visions of the BC YMCA's. During the year the Association received \$125,047 from YMCA BC to provide services relating to program delivery and \$15,000 from YMCA BC to provide administrative and financial services. During the year the Association paid \$4,000 to YMCA BC for contributions to YMCA BC operations, and paid \$100 in annual membership fees to YMCA BC.

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. However, the amounts may not be comparable to amount that would have been paid to non-related parties.

YMCA OF OKANAGAN ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2019

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.

For the fiscal year ending 2019, the Association paid total remuneration of \$1,086,431 to ten employees for services, each of whom received total annual remuneration of \$75,000 or greater. Remuneration includes all wages, bonuses, and taxable benefits.

14. Subsequent Event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Association has been impacted by the COVID-19 pandemic through the temporary closure of its health, fitness and aquatic facilities, temporary declines in the fair value of its restricted investments and temporary or permanent termination of certain employees. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. These factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

15. Comparative Figures

Comparative figures have been restated to conform to changes in the current year presentation.