

Financial Statements

**The Young Men's Christian Association
of Greater Vancouver**

December 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Members of
The Young Men's Christian Association of Greater Vancouver

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Young Men's Christian Association of Greater Vancouver**, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Young Men's Christian Association of Greater Vancouver** as at December 31, 2013, 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 Society Act of British Columbia, we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Vancouver, Canada,
April 15, 2014.

Ernst & Young LLP

Chartered Accountants

The Young Men's Christian Association of Greater Vancouver

STATEMENT OF FINANCIAL POSITION

As at December 31

	2013	2012
	\$	\$
ASSETS		
Current		
Cash	1,225,854	18,449
Accounts receivable [notes 8 and 15]	1,442,844	971,147
Due from the Endowment Fund of the YMCA [note 3]	11,913	—
Prepaid expenses and other	594,085	551,350
Total current assets	3,274,696	1,540,946
YMCA facilities under development [note 5]	—	525,584
Investments and restricted cash [note 6]	14,746,253	14,660,207
Property and equipment, net [notes 7 and 8]	59,744,807	60,032,774
Total assets	77,765,756	76,759,511
LIABILITIES AND NET ASSETS		
Current		
Bank demand loan [note 8]	37,567	183,459
Current portion of term loans [note 8]	3,399,887	3,450,992
Accounts payable and accrued liabilities [notes 4, 8 and 15]	2,699,466	2,324,505
Due to the Endowment Fund of the YMCA [note 3]	—	17,900
Deferred revenue [note 9]	2,283,325	1,585,149
Current portion of capital lease obligations [note 10]	3,600	3,600
Total current liabilities	8,423,845	7,565,605
Deferred capital contributions [note 9]	19,281,105	19,051,266
Term loans [note 8]	385,050	338,494
Capital lease obligations [note 10]	43,200	46,800
Total liabilities	28,133,200	27,002,165
Commitments and contingencies [note 11]		
Net assets		
Unrestricted	(2,596,756)	(3,774,713)
Internally Restricted [note 12]	52,229,312	53,532,059
Total net assets	49,632,556	49,757,346
Total liabilities and net assets	77,765,756	76,759,511

See accompanying notes

On behalf of the Board:

Director



Director




The Young Men's Christian Association of Greater Vancouver

STATEMENT OF OPERATIONS

Year ended December 31

	2013	2012
	\$	\$
REVENUE		
Membership fees	13,945,384	13,320,235
Program fees	12,573,724	12,601,302
Government sources - other	3,619,419	2,106,419
Government sources - childcare	3,394,508	3,460,697
Donations <i>[note 14]</i>	1,127,648	1,047,701
Allocations from the United Way	503,982	483,336
Grants from the Endowment Fund of the YMCA <i>[note 3]</i>	320,973	285,048
Gaming	222,500	195,000
Grants from the YMCA of Greater Vancouver Properties Foundation <i>[note 4]</i>	220,344	211,613
Investment income	168,710	128,875
Other revenue	125,733	10,832
Grants from the Endowment Foundation of the Chilliwack Family YMCA	23,000	676
	36,245,925	33,851,734
EXPENSES		
Salaries	19,338,935	17,973,744
Occupancy <i>[notes 3 and 4]</i>	4,738,283	4,421,506
Employee benefits	2,279,396	2,089,313
Supplies	2,109,634	2,073,050
Office, legal and contract services	1,300,506	1,213,720
Grants, work study fees and overseas transfers	1,077,447	644,333
Conferences, employee expense and vehicle costs	516,303	445,924
Staff and volunteer training	491,039	424,910
Bank charges	456,687	447,890
Repairs and maintenance	446,086	376,795
Advertising and promotion	362,616	357,248
National support	351,123	347,449
Other	77,214	87,968
Recovery of commodity tax rebate	(434,271)	(743,324)
	33,110,998	30,160,526
Excess of revenue over expenses before the following	3,134,927	3,691,208
Loss on sale of disposal of fixed assets	(34,507)	—
Interest <i>[notes 8 and 10]</i>	(136,197)	(253,606)
Gain on interest rate swap <i>[notes 8 and 13]</i>	26,633	104,268
Participating gain on the sale of density <i>[note 16]</i>	—	14,665,737
Amortization of property and equipment <i>[note 7]</i>	(4,020,977)	(4,060,115)
Amortization of deferred capital contributions <i>[note 9]</i>	905,330	891,306
(Deficiency) excess of revenue over expenses for the year	(124,791)	15,038,798

See accompanying notes



The Young Men's Christian Association of Greater Vancouver

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	2013			2012
	Unrestricted	Internally Restricted	Total	Total
	\$	\$	\$	\$
Net assets, beginning of year	(3,774,713)	53,532,059	49,757,346	34,718,548
(Deficiency) excess of revenue over expenses for the year	3,197,825	(3,322,615)	(124,790)	15,038,798
Transfer to Internally Restricted <i>[note 12]</i>	(2,019,868)	2,019,868	—	—
Net assets, end of year	(2,596,756)	52,229,312	49,632,556	49,757,346

See accompanying notes



The Young Men's Christian Association of Greater Vancouver

STATEMENT OF CASH FLOWS

Year ended December 31

	2013	2012
	\$	\$
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenses for the year	(124,791)	15,038,798
Add (deduct) non-cash items		
Amortization of deferred compensation	30,242	30,241
Amortization of property and equipment	4,020,977	4,060,115
Amortization of deferred capital contributions	(905,330)	(891,306)
Participating gain on sale of density	—	(14,665,737)
Gain on interest rate swap	(26,633)	(104,268)
	<u>2,994,465</u>	<u>3,467,843</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(318,339)	(407,494)
Due from the Endowment Fund of the YMCA	(11,913)	169,782
Prepaid expenses and other	(43,042)	36,147
Accounts payable and accrued liabilities	365,354	(346,369)
Deferred revenue	484,158	(118,984)
Cash provided by operating activities	<u>3,470,683</u>	<u>2,800,925</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(3,155,370)	(3,873,833)
Proceeds on sale of property and equipment	17,688	17,887
Proceeds from participating gain on sale of density	—	14,665,737
Additions to YMCA facilities under development	(20,678)	(663,644)
Increase in investments and restricted cash	(86,046)	(10,832,362)
Cash used in investing activities	<u>(3,244,406)</u>	<u>(686,215)</u>
FINANCING ACTIVITIES		
Borrowings (repayments) on bank demand loan	(145,892)	183,459
Repayment on term loans	(4,549)	(4,616,450)
Receipt of contributions restricted for capital purposes	1,135,169	2,337,245
Payment of capital lease obligations	(3,600)	(64,407)
Cash provided by (used in) financing activities	<u>981,128</u>	<u>(2,160,153)</u>
Net increase (decrease) in cash during the year	1,207,405	(45,443)
Cash, beginning of year	<u>18,449</u>	<u>63,892</u>
Cash, end of year	<u>1,225,854</u>	<u>18,449</u>

See accompanying notes



The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1. PURPOSE OF ORGANIZATION

The Young Men's Christian Association of Greater Vancouver [the "Association" or the "YMCA"] is an independent, charitable organization dedicated to the development of people in spirit, mind and body as well as the improvement of local, national and international communities. The Association is incorporated under the Society Act of British Columbia and is a registered charity under the Income Tax Act (Canada) and accordingly is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part III of the CPA Canada Handbook – *Accounting Standards for Not-for-Profit Organizations* which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies described hereafter.

Revenue recognition

The Association follows the deferral method of accounting for contributions, which include grants and donations. Externally restricted contributions are initially deferred and then recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including grants and donations, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges, since they are not legally enforceable claims, are not recorded as revenue until the cash or related asset is received.

Program fees and membership fees are recognized as revenue over the period to which the fees relate. Funds from government sources for services are recognized as revenue as the services to which the funds relate are delivered or performed. Amounts received in advance of meeting the criteria for revenue recognition are initially deferred and then recognized as revenue when earned. Contributions related to capital development projects and capital assets represent restricted contributions and are recognized as income on the same basis as the related assets are amortized.

Investment income, which consists of interest, dividends, income distributions from pooled funds and realized and unrealized gains and losses, is recorded in the statement of operations.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Other financial instruments, including accounts receivable and accounts payable, are recorded at amortized cost, net of any provisions for impairment.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Association charges amortization on a declining balance basis over the economic lives of the assets as follows:

Buildings and infrastructure	4% - 5% per annum
Program and operating equipment	20% - 40% per annum
Computer and office equipment	30% per annum
Automobiles	20% per annum
Land	not amortized

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments with a short term to maturity of approximately three months or less from the date of purchase unless they are held for investment rather than liquidity purposes, in which case they are classified as investments.

Leases

Leases are classified as either capital or operating leases. Those leases that transfer substantially all the benefits and risks of ownership of the property to the Association are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments discounted at appropriate interest rates. All other leases are accounted for as operating leases, wherein rental payments are charged to operations as incurred.

YMCA facilities under development

The YMCA facilities under development are recorded at cost and are not amortized. When project construction is complete, the YMCA facility under development project is transferred to the appropriate asset categories and amortized over its useful life. Interest costs and internal salaries and wages directly attributable to the development projects are capitalized as part of the facilities under development.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Derivative financial instruments

Interest rate swaps have been used to reduce interest rate risk on the Association's debt. Management does not enter into derivative financial instruments for trading or speculative purposes. The Association has not designated its interest rate swap contracts as a hedge for accounting purposes and, accordingly, records the fair value of this derivative using a mark-to-market valuation basis, with changes in fair value during the year recognized in the statement of operations as unrealized gain (loss) on interest rate swap.

Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs and financing fees. It is subsequently measured at amortized cost. Transaction costs and financing fees are amortized using the straight-line method.

Pension plan

Contributions to a multi-employer defined contribution pension plan are expensed on an accrual basis.

Contributed materials and services

Volunteers contribute an indeterminable number of hours per year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are also not recognized in the financial statements.

Management's estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent; however, actual results could differ from these estimates. To these financial statements, such estimates principally impact the recoverability of YMCA facilities under development which are, in part, dependent on the success of the various development initiatives [note 5] and are dependent on the Association's continued support of these development initiatives. Management estimates also impact the period over which property and equipment are amortized.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

3. THE ENDOWMENT FUND OF THE YMCA

The Endowment Fund of the YMCA ["Endowment Fund"] is an independent organization incorporated under the Society Act of British Columbia and is a registered foundation under the Income Tax Act (Canada). It is concerned with assisting in the development, growth and continuing relevancy of the Association. The by-laws of the Association provide that the Chair of the Endowment Fund also be a member of the Association's Board of Directors.

The Trustees of the Endowment Fund have committed to provide the Association \$1,000,000 over a period of 10 years for purposes of the development of the Robert Lee YMCA - Downtown. At December 31, 2013, \$1,000,000 [2012 - \$900,000] had been received from the Endowment Fund with respect to the Robert Lee YMCA - Downtown and has been recorded as deferred capital contributions.

In 2010, the Trustees of the Endowment Fund committed to provide the Association \$600,000 over 7 years for the purpose of building new lodges at Camp Elphinstone. At December 31, 2013, \$240,000 [2012 - \$180,000] had been received in respect of this commitment and has been recorded as deferred capital contributions.

In addition, the Endowment Fund makes grants and donations to the Association in accordance with donor's restrictions at the direction of the Endowment Fund Trustees. The Endowment Fund reimbursed the Association for salaries relating to administration support totaling \$105,000 [2012 - \$75,000] which has been recorded as a reduction of salaries expense. The Association has a ten-year lease for lands and buildings owned by the Endowment Fund. For the year ended December 31, 2013, the Association was charged rent of \$174,440 [2012 - \$98,950] by the Endowment Fund.

In 2012, the Endowment Fund sold its density rights in the Robert Lee YMCA - Downtown to the YMCA for \$1,155,800, which was recorded as an addition to land [note 7].

During the year ended December 31, 2013, the Association made a grant of \$48,300 [2012 - \$146,657] to the Endowment Fund.

At December 31, 2013, \$11,913 was receivable from the Endowment Fund in respect of grants and rent not received and administrative costs not paid [2012 - \$17,900 payable to the Endowment Fund]. The transactions are recorded at the exchange amounts agreed and established between the Association and the Endowment Fund.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

4. THE YMCA OF GREATER VANCOUVER PROPERTIES FOUNDATION

The YMCA of Greater Vancouver Properties Foundation ["Properties Foundation"] is an independent organization incorporated under the Society Act of British Columbia and is a registered foundation under the Income Tax Act (Canada). It is concerned with assisting in the funding, support and promotion of the Association. The by-laws of the Properties Foundation provide that the immediate past-Chair of the Association also be an ex-officio member of the Properties Foundation Board of Directors. The Association has a ten-year lease for lands and buildings owned by the Properties Foundation for the Chilliwack Family YMCA Hocking facility which expires in December 2018. For the year ended December 31, 2013, the Association was charged rent of \$264,420 [2012 - \$253,935] by the Properties Foundation. During 2013, the Properties Foundation provided grants of \$220,344 to the Association [2012 - \$211,613]. At December 31, 2013, no amounts were payable to the Properties Foundation [2012 - \$34,277 payable to the Properties Foundation]. The transactions are recorded at the exchange amounts agreed and established between the Association and the Properties Foundation.

5. YMCA FACILITIES UNDER DEVELOPMENT

Costs capitalized with respect to ongoing capital projects to December 31, 2012 have been recorded in YMCA facilities under development and have been transferred to the appropriate property and equipment category in 2013.

	2013	2012
	\$	\$
Tong Louie Family YMCA - Surrey	—	8,624
YMCA Camp Elphinstone	—	516,960
	—	525,584

For the year ended December 31, 2013, facilities under development costs of \$525,584 were transferred to property and equipment [2012 - \$2,517,341].

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

6. INVESTMENTS AND RESTRICTED CASH

Investments consist of the following:

	2013	2012
	\$	\$
Bank account balances for		
Internally Restricted	445,886	560,451
Internally Restricted for capital	9,569,821	—
Internally Restricted for strategic reserve	3,197,664	—
Externally Restricted - Government <i>[note 9]</i>	1,532,882	—
Total bank account balances	<u>14,746,253</u>	<u>560,451</u>
Guaranteed investment certificates for		
Internally Restricted for capital	—	9,422,972
Internally Restricted for strategic reserve	—	3,147,548
Externally Restricted - Government <i>[note 9]</i>	—	1,509,046
Operations	—	20,190
Total guaranteed investment certificates	<u>—</u>	<u>14,099,756</u>
Total investments	<u>14,746,253</u>	<u>14,660,207</u>

Bank account balances are held in high interest savings accounts and earn interest at 1.23% per annum.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

7. PROPERTY AND EQUIPMENT

Location	Land \$	Buildings and infrastructure \$	Program and operating equipment \$	Computer and office equipment \$	Automobiles \$	Total \$	Accumulated amortization \$	Net book value \$
December 31, 2013								
Robert Lee YMCA - Downtown <i>[note 3]</i>	1,335,907	36,689,324	2,457,039	464,310	—	40,946,580	8,409,854	32,536,726
Langara Family YMCA	513,122	4,073,932	1,649,176	281,207	—	6,517,437	4,065,309	2,452,128
Tong Louie Family YMCA - Surrey <i>[note 8]</i>	826,602	14,576,929	2,924,637	514,965	42,000	18,885,133	8,167,268	10,717,865
Chilliwack Family YMCA	—	90,725	1,077,451	319,459	86,261	1,573,896	1,362,141	211,755
Camp Elphinstone	30,058	11,086,813	955,516	137,740	64,488	12,274,615	3,239,638	9,034,977
Camp Deka	—	324,373	111,190	1,047	14,825	451,435	195,660	255,775
Child Care Unit	—	4,248,768	534,002	292,553	62,137	5,137,460	1,416,728	3,720,732
Association Services	—	496,894	9,631	1,531,786	—	2,038,311	1,241,422	796,889
Community services	—	—	2,138	24,152	—	26,290	8,330	17,960
	2,705,689	71,587,758	9,720,780	3,567,219	269,711	87,851,157	28,106,350	59,744,807
December 31, 2012								
Robert Lee YMCA - Downtown <i>[note 3]</i>	1,335,907	36,677,066	2,403,803	424,165	—	40,840,941	6,462,983	34,377,958
Langara Family YMCA	513,122	4,073,932	1,542,237	275,663	—	6,404,954	3,847,049	2,557,905
Tong Louie Family YMCA - Surrey <i>[note 8]</i>	826,602	13,592,875	2,418,143	506,888	42,000	17,386,508	7,433,244	9,953,264
Chilliwack Family YMCA	—	45,050	1,195,260	317,263	86,261	1,643,834	1,458,673	185,161
Camp Elphinstone	30,058	9,837,812	840,614	126,949	94,488	10,929,921	2,763,320	8,166,601
Camp Deka	—	277,266	102,932	1,047	14,825	396,070	175,761	220,309
Child Care Unit	—	4,229,275	532,269	283,376	62,137	5,107,057	1,228,015	3,879,042
Association Services	—	343,377	9,631	1,391,243	—	1,744,251	1,051,717	692,534
	2,705,689	69,076,653	9,044,889	3,326,594	299,711	84,453,536	24,420,762	60,032,774

At December 31, 2013, property and equipment include program and operating equipment, and a childcare centre under capital lease having a net book value of \$52,938 [2012 - \$55,144].

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

8. BANK DEMAND LOAN AND TERM LOANS

[a] Bank demand loan

	2013	2012
	\$	\$
Bank overdraft	—	65,432
Uncashed cheques	37,567	118,027
	37,567	183,459

The Association has a demand operating loan facility of \$3,500,000 available to finance general operating activities and facility development activities, bearing interest at the bank's prime rate plus 0.45% per annum on outstanding amounts payable on demand. Interest for the year ended December 31, 2013, on the demand operating loan facility in the amount of \$32 [2012 - \$404] is recorded as interest expense.

[b] Bankers' acceptance/term loans

	2013	2012
	\$	\$
Loan agreement facility for Tong Louie Family YMCA - Surrey [i]	2,997,000	2,997,090
Term loans for equipment [ii]	787,937	792,396
	3,784,937	3,789,486
Less long-term portion	(385,050)	(338,494)
	3,399,887	3,450,992

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

- [i] As at December 31, 2013, the Association has a bankers' acceptance ["BA"] facility of \$3,000,000 for Tong Louie Family YMCA – Surrey bearing interest at the treasury rate plus a BA fee of 1.50% per annum which is available through October 2014. To reduce the interest rate risk on the facility, the Association entered into an interest rate swap contract with a notional principal of \$3,000,000 that entitles the Association to receive interest at floating rates on the notional principal amount and obliges it to pay interest at a fixed rate of 2.27% per annum plus the BA fee of 1.50%. As at December 31, 2013, the interest rate swap has an outstanding balance of \$2,997,000 [2012 - 2,997,090] which matures in October 2014. The interest rate swap is subject to interest at the 30-day treasury rate plus a BA fee of 1.50% per annum. As at December 31, 2013, the interest rate swap agreement was in a net unfavourable position of \$26,584 [2012 - \$53,217] and the gain, being the change in fair value, for 2013 of \$26,633 [2012 - \$49,692] has been recorded in the statement of operations. The liability with respect to the net unfavourable position has been included in accounts payable and accrued liabilities. Interest expense recorded on the interest rate swap was \$113,155 [2012 - \$135,464].
- [ii] The Association has a combined term loan and lease facility of \$1,800,000 available to finance capital expenditures. Borrowings under this facility may be converted into a demand operating loan. This facility is subject to review by the bank annually. At December 31, 2013, there was a combined amount of \$787,937 [2012 - \$792,396] in term facility loans. These are 3-year term loans that bear interest between 2.74% and 3.52% [2012 - 3.14% and 3.52%] per annum. At December 31, 2013, the lease obligation under this facility totaled nil [2012 - nil]. Interest on the term loans in the amount of \$23,010 [2012 - \$24,508] is recorded as interest expense.

The bank's prime rate at December 31, 2013 was 3.00% [2012 - 3.00%].

The total estimated principal repayments of long-term debt due are as follows:

	\$
2014	3,399,887
2015	283,560
2016	101,490
	<u>3,784,937</u>

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

The loans are collateralized by:

- [a] A security agreement granted in favour of the bank over the accounts receivable of the Association with a carrying amount of \$1,442,844 at December 31, 2013.
- [b] Collateral mortgage in the amount of \$8.0 million, constituting a first fixed charge of the lands and improvements of the Tong Louie Family YMCA - Surrey with a carrying amount of \$9,817,080 at December 31, 2013.

9. DEFERRED REVENUE AND DEFERRED CAPITAL CONTRIBUTIONS

[a] Deferred revenue

	2013	2012
	\$	\$
Community Programs	1,344,742	587,976
Membership	554,901	633,138
Regional Development Centre	190,944	14,191
Childcare	171,012	293,243
Other	21,726	56,601
	2,283,325	1,585,149

[b] Deferred capital contributions

	2013	2012
	\$	\$
Balance, beginning of year	19,051,266	17,486,328
Amounts received during the year	1,135,168	2,456,244
Amounts recognized as revenue during the year	(905,329)	(891,306)
Balance, end of year	19,281,105	19,051,266

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

Deferred capital contributions represent capital contributions for the following:

	2013	2012
	\$	\$
Tong Louie Family YMCA - from Surrey capital campaign	3,263,017	3,434,756
Tong Louie Family YMCA - Surrey - from Endowment Fund	571,295	601,363
Strong Foundations, Strong Communities - from capital campaign	9,336,758	9,173,240
Strong Foundations, Strong Communities - government funds	2,819,694	2,691,955
Strong Foundations, Strong Communities - from Endowment Fund	851,145	795,942
Other deferred capital grants and contributions	906,314	844,964
Externally Restricted - Government <i>[note 6]</i>	1,532,882	1,509,046
	19,281,105	19,051,266

The Tong Louie Family YMCA - Surrey capital campaign, including the Endowment Fund contribution of \$1,000,000, raised \$6,465,721 in cash and pledges on a goal of \$6,000,000.

The Strong Foundations, Strong Communities capital campaign, including the Endowment Fund contribution of \$1,000,000, raised \$18.4 million [2012 - \$17.0 million] in cash and pledges on a goal of \$13.5 million. As of December 31, 2013, \$15,214,062 [2012 - \$14,945,432] in contributions have been received.

The Externally Restricted government funds of \$1,532,882 are restricted for the Association's expansion in the Central Fraser Valley.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

10. CAPITAL LEASE OBLIGATIONS

The present value of future minimum annual lease payments for a childcare center under capital lease at December 31, 2013 is as follows:

	\$
2014	3,600
2015	3,600
2016	3,600
2017	3,600
2018	3,600
Thereafter	28,800
	<u>46,800</u>
Less amount representing interest	—
Less current portion of capital lease obligations	(3,600)
	<u>43,200</u>

The interest on capital lease obligations was recorded as interest expense in the amount of nil [2012 - \$506].

11. COMMITMENTS AND CONTINGENCIES

[a] The Association is committed to payments through 2022 under equipment and occupancy operating leases as follows:

	Equipment commitments \$	Occupancy commitments \$	Total commitments \$
	<i>[notes 3 and 4]</i>		
2014	148,056	776,262	924,318
2015	—	587,415	587,415
2016	—	539,301	539,301
2017	—	515,244	515,244
2018	—	513,347	513,347
Thereafter	—	794,276	794,276
	<u>148,056</u>	<u>3,725,845</u>	<u>3,873,901</u>

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

In addition to minimum rentals, leases for offices generally require the payment of various operating costs.

[b] The Association has issued letters of guarantee totaling nil [2012 - \$97,500]. These are irrevocable standby letters of guarantee issued in favour of the Department of Fisheries and Oceans for performance guarantees related to the projects at Camp Elphinstone.

[c] The Association is a member of the YMCA World Urban Network and holds \$234,586 [2012 - \$145,618] US funds on their behalf. These funds have not been recorded in the financial statements.

12. INTERNALLY RESTRICTED NET ASSETS

The Board of Directors appropriated Internally Restricted funds to be used as follows as at December 31, 2013:

	Internally Restricted for					Total
	Property and equipment	Childcare capital and transition requirements	Emergency capital requirements	Organization transition costs	Vehicle replacement costs	
	\$	\$	\$	\$	\$	\$
Closing balance as at December 31, 2011	38,209,031	201,221	72,733	144,785	109,107	38,736,877
Transfer from (to)						
Unrestricted	3,280,001	(5,253)	—	—	73,200	3,347,948
Allocation of income	11,482,576	2,447	884	(40,000)	1,327	11,447,234
Closing balance as at December 31, 2012	52,971,608	198,415	73,617	104,785	183,634	53,532,059
Transfer from (to)						
Unrestricted	2,099,537	(61,669)	—	—	(18,000)	2,019,868
Allocation of income	(3,288,123)	2,191	995	(40,160)	2,482	(3,322,615)
Closing balance as at December 31, 2013	51,783,022	138,937	74,612	64,625	168,116	52,229,312

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

13. FINANCIAL INSTRUMENTS AND RISK

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. The YMCA's main credit risk relates to its accounts receivable. The Association derives revenue from services delivered in Canada. Services are normally paid in advance or on a scheduled payment basis in Canadian funds and generally require no collateral. The Association's credit risk does not include counterparty exposure associated with the fixed interest rate swap contract in the event that there is non-performance as the counterparty to the contract and the underlying are one and the same.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. During 2010, the Association entered into an interest rate swap contract terminating in October 2014 on a notional principal amount of \$3,000,000. The mark-to-market valuation of the swap contracts at December 31, 2013 gave rise to a gain of \$26,633 [2012 - gain of \$104,268] *[note 8]*.

Liquidity risk

The YMCA has no difficulty meeting obligations associated with its financial liabilities and accordingly is not exposed to liquidity risk.

The Young Men's Christian Association of Greater Vancouver

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

14. FUNDS HELD BY THE VANCOUVER FOUNDATION

The Vancouver Foundation holds the funds listed below to which the Association is entitled to receive a portion of distributable investment income.

	Share of distributable income %	2013 income \$	2012 income \$
William E. and Emily Ross Fund	40	1,754	1,737
Senator and Mrs. S. S. McKeen Memorial Fund	100	2,004	1,883
Clarence L. Sorensen Fund	100	950	931
		4,708	4,551

15. GOVERNMENT RECEIVABLES AND REMITTANCES

Government receivables of \$679,805 [2012 - \$251,414] is included in accounts receivable. Government payable of \$53,729 [2012 - \$7,010] is included in accounts payable.

16. PARTICIPATING GAIN ON SALE OF DENSITY

The contract for the sale of density rights negotiated in prior years entitles the Association to receive a portion of the profits derived from the sale of condominium units at the Robert Lee YMCA - Downtown. In 2012, the Association received an amount of \$14,665,737 from the developer representing the Association's share of the profits on the sale of the condominium units calculated in accordance with the contract which has been recorded as an unusual item in the statement of operations in 2012.